

COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF MILWAUKEE

WISCONSIN

FOR THE YEAR ENDED DECEMBER 31, 2005

Prepared by:
Department of Administrative Services
Fiscal Affairs Division



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COUNTY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2005

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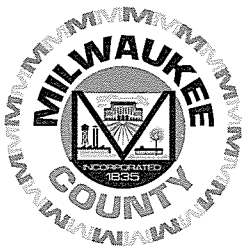
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INTRODUCTORY SECTION

- **Letter of Transmittal**
- **Certificate of Achievement for Excellence in Financial Reporting**
- **Organizational Chart**
- **List of Elected and Appointed Officials**



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OFFICE OF THE COUNTY EXECUTIVE

Milwaukee County

SCOTT WALKER • COUNTY EXECUTIVE

July 14, 2006

To: Honorable Members of the Milwaukee County
Board of Supervisors and the Citizens of
Milwaukee County, Wisconsin

A) COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):

CAFR Overview

The Comprehensive Annual Financial Report (CAFR) of Milwaukee County, Wisconsin (the County) for the year ended December 31, 2005 is hereby submitted for your information. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Milwaukee County, Wisconsin. All disclosures necessary to enable the reader to gain an understanding of Milwaukee County, Wisconsin activities have been included.

The CAFR is presented in three sections:

The **Introductory Section**, which is unaudited, includes this letter of transmittal, the prior year's Certificate of Achievement for Excellence in Financial Reporting, the County's organization chart, and a list of the County's principal elected and appointed officials. It is designed to give the reader of the financial report some basic background information about the County.

The **Financial Section** includes the independent auditors' report on the basic financial statements, management's discussion & analysis, the basic financial statements, required supplementary information, and the other supplementary information including the combining and individual fund financial statements and schedules. See a discussion below of the components of the Financial Section.

The **Statistical Section**, which is unaudited, includes selected financial and demographic information generally presented on a multi-year basis.

Governmental Accounting Standards Board Statement No. 34 Overview

The County has prepared the Financial Section to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). The Financial Section and the financial statements included in this section are significantly different from the financial statements prepared by the County for 2001 and previous fiscal years. GASB 34 establishes a new reporting model that the County has reported in three parts in the Financial Section. The fourth part is not required by GASB 34 but provides useful information about the non-major funds of Milwaukee County.

- 1) **Management's Discussion and Analysis** - This is a narrative report providing financial information about the County. Readers of this report are encouraged to read Management's Discussion and Analysis (MD&A), in conjunction with this Letter of Transmittal. The MD&A provides basic financial information about the County and an overview of the County's activities.
- 2) **Basic Financial Statements**
 - a) **Government-Wide Financial Statements** - government-wide financial statements, consisting of a statement of net assets and a statement of activities, provide a comprehensive financial picture of the County, split between governmental activities and business-type activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where all assets, liabilities, revenues, and expenses of the County are reported. Internal service funds are combined with governmental activities for presentation purposes.
 - b) **Fund Financial Statements** - report on the major individual governmental, proprietary, and fiduciary funds of the County. Budgetary comparisons are also provided to allow the reader to see the original adopted budget, the revised adopted budget, and the actual expenditures and revenues for the County's general fund. The governmental funds are prepared and presented on the modified accrual basis of accounting. The proprietary funds are prepared on an accrual basis of accounting. Due to the different basis of accounting for governmental funds between the government-wide financial statements and the fund financial statements, a schedule is also provided that reconciles governmental activities on the statement of net assets with the governmental funds on the balance sheet and the governmental funds net change in fund balances on the statement of activities with the governmental funds statement of revenues, expenditures and changes in fund balances. The

proprietary funds statement reports each of the enterprise funds and includes a separate column that combines all internal service funds.

- c) **Notes to the Financial Statements** - includes the explanatory notes to the financial statements as required by governmental accounting standards.
- 3) **Required Supplementary Information** - presents certain required supplementary data immediately after the notes to the financial statements.
- 4) **Other Supplementary Information** - identified as the Other Supplementary Information – Combining and Individual Fund Statements and Schedules. This section will show the combining statements for the non-major governmental funds, the internal service funds, as well as budgetary comparisons for major funds other than the General Fund. As noted earlier, the internal service funds were combined and reported as a separate column in the proprietary fund financial statements. They are reported here because they are not considered to be major funds.

Component Units

This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government and the following discrete component units: the War Memorial Center, the Milwaukee Public Museum, Inc., the Private Industry Council of Milwaukee County, and the Milwaukee County Research Park Corporation. Discretely presented component units are more distinctly separate from the primary government and are therefore reported in a separate column in the government-wide financial statements. These entities were included because generally accepted accounting principles require that organizations for which the County is financially accountable be reported with the primary government (the County) as the reporting entity.

B) GOVERNMENTAL STRUCTURE AND TYPES OF SERVICES

Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The Michigan Territorial Government incorporated Milwaukee County in 1835. In 1837 the Wisconsin Territorial Legislature divided Milwaukee County and reduced its size. Nine years later the County was divided again into its present size.

Milwaukee County was the first county in the State to establish an executive branch. A County Executive and a 19-member Board of Supervisors govern Milwaukee County. The County Executive and the County Supervisors are elected to nonpartisan four-year terms. Each Supervisor is elected from a district with an average population

of approximately 50,000. In addition, six constitutional officers are elected to serve two-year terms on a partisan basis. The Sheriff is elected to serve a four-year term on a partisan basis.

The County Board determines County policy and directs the activities of County government by the adoption of ordinances and resolutions, under authority vested in it by State Statutes. At its annual meeting in November of each year, the Board adopts the next calendar year's budget. It meets on a monthly basis to transact official business, and its committees meet regularly during the monthly cycles to hold hearings, gather information and take testimony preparatory to making recommendations to the full County Board.

The County operates two airports, a mass transit system, a behavioral health facility, a correctional facility, a sheriff's department, a civil and criminal court system, a zoo, a botanical garden, a nature center, several marinas, a number of golf courses and swimming pools, beaches, bike trails, and park areas.

The County also administers Federal and State aided public assistance. Other activities include employment and training services, legal counsel services for the indigent, community health care programs, emergency medical services, medical service funding for the indigent, correctional programs and counseling and residential programs for the mentally ill, disabled, and chemically dependent. The County also offers a number of general government services. The County is also responsible for the maintenance and construction of highways, roads, and bridges.

C) ECONOMIC CONDITION AND OUTLOOK

Milwaukee County serves as the population, economic and financial center of the State. The City of Milwaukee, which acts as the County seat, contains approximately 63 percent of the County's population and 46 percent of its taxable property value.

Milwaukee County's location on the Great Lakes, near the nation's geographic and population centers, provides many logistical advantages. The County has a well-developed arterial street and highway system, including four interstate highways, three major U.S. highways and 17 state highways. Freight service is provided to other metropolitan areas by numerous trucking establishments and two major railroads. In addition to the rail freight service provided by the Union Pacific and Canadian Pacific /Soo Line railroads, passenger rail service is available from Amtrak. National and inter-city bus lines also serve Milwaukee. Milwaukee also remains a major Great Lakes and world port. During 2005, the Port of Milwaukee handled 3.4 million metric tons of cargo. Major commodities included in this tonnage were coal, salt, grain and cement.

One of Milwaukee's strengths is a highly diversified economic system. Although the County remains a major manufacturing center, other sectors of the economy have become increasingly important. The finance, insurance and real estate trade,

electrical, electronic machines and equipment sectors have shown consistent growth. Milwaukee also ranks as one of the nation's leading centers for advertising, printing, publishing and graphic arts and is home to one of the country's major breweries. The newest industry in Milwaukee is electronic commerce. Milwaukee has become one of the nation's centers for financial transaction processing. In fact, Milwaukee area manufacturing firms are innovative leaders in a variety of dynamic markets, including energy management and robotic and medical imaging equipment. The County leads the nation in the production of industrial controls, x-ray apparatus, steel foundries, mining machinery, hoists, industrial cranes, monorails, speed changers and drives and gears. Food and paper products are also produced in significant quantities.

According to the first quarter business outlook survey by the Metropolitan Milwaukee Association of Commerce (MMAC), "Milwaukee area businesses seem more optimistic toward future business activity for the first quarter of 2006. Based on a survey of 108 Milwaukee area firms, 78 percent forecast sales increases in the first quarter of 2006, which is down from 84 percent who predicted such gains at the beginning of 2005. For the first quarter of 2006 (compared to the same quarter one year ago) manufactures expressed slightly more optimism for increased sales than non-manufactures. Eighty-two percent of manufactures forecast increased sales compared to 69 percent of non-manufacturers. Fifty-four percent of businesses expect increases in their local workforces for the same time period, while nine percent expect job decline and the remaining 37 percent see no change in employment."

The average annual unemployment rate for Milwaukee County through December 2005 was 5.9 percent compared to a national average rate of 5.1 percent. This is the first year since 1999 that the County experienced a decrease in the unemployment rate. The last four years posted increases in the rate.

According to the Wisconsin Department of Administration, Milwaukee County's estimated population for 2005 is 938,995, which is a 0.04 percent decrease from the 2004 population estimate.

Milwaukee County is home for a number of colleges and universities, including Alverno College, Cardinal Stritch College, Marquette University, the Medical College of Wisconsin, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee, and Wisconsin Lutheran College.

D) MAJOR INITIATIVES BY CLASSIFICATION

Following is a brief description of the departments and major initiatives for the classifications within both the Governmental Activities and Business-type Activities of the Statement of Activities.

Governmental Activities

- 1) **Legislative, Executive, and Staff** consists of the following areas, the County Board and Department of Audit, the County Executive, the Department of Administrative Services-Fiscal Affairs, Economic and Community Development, Office of Community Business Development Partners, Office of Persons with Disabilities, Veterans Service, the Civil Service Commissions, the Personnel Review Board, Human Resources, Procurement and Corporation Counsel. The internal service funds of Risk Management and Information Management Services Division are also under the Department of Administrative Services for management purposes. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements.
- 2) **Courts and Judiciary** consists of the County Funded State Court Services Division, which includes 47 judges and 25 court commissioners. It is the first administrative district of the State Court System. The Family Court Commissioner Division is the legal extension of the Family Court Branch of the Circuit Court. This area handles marriages and family related matters. It includes the Family Court Mediation Services Unit. The Register in Probate Division maintains the records and files of all probate proceedings. The Clerk of Circuit Courts maintains the records, books and files of the courts. State and non-tax revenues support approximately 27.8 percent of the cost of the Courts function. The balance of the costs is funded with County tax levy dollars. The Department of Child Support provides services to locate parents, establishes paternity, enforces and establishes child support and medical support orders, which is all under Title IV-D of the Social Security Act.
- 3) **General Governmental Services** consists of the separately elected positions of the County Treasurer, Register of Deeds, and County Clerk and their associated staff and related costs. The Election Commission is also included in this category.
- 4) **Public Safety** consists of the Sheriff's Department, District Attorney, Medical Examiner and House of Correction. The Sheriff is a separately elected position within Milwaukee County. The 2005 budgets for the Sheriff's Department and the House of Correction includes an inmate population control "cap proposal" for the Milwaukee County detention population. The "cap proposal" attempts to cap the population at the Criminal Justice Facility and transfer any overflow to the House of Correction, which is able to open and close sleeping/housing units on a more flexible basis. The Sheriff continues to address enhanced security needs at the Airport. Certain printing functions formerly performed by

Information Management Service Division (IMSD) were transferred to the House of Corrections in 2005.

- 5) **Public Works and Highways** in the General Fund consists of the Highway Division and Administrative Divisions.

The Public Works Fleet Management; Architectural, Engineering and Environmental Services; Transportation; and Facilities Management Divisions are part of the Internal Services Funds of the County. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements. For management purposes the public works areas along with the Parks Department are consolidated under the Department of Parks and Public Infrastructure (DPPI). In 2005, Fleet Management assisted Department of Administrative Services-Fiscal Affairs (DAS) in carrying out a countywide fleet reduction. Fleet-owned pieces of equipment were reduced by 12% or approximately 219 pieces. This initiative follows an analysis conducted by Fleet Management and DAS that indicated approximately 375 pieces (21%) of equipment and/or vehicles were under-utilized.

- 6) **Human Services** consists of the Department on Aging, Department of Health and Human Services (DHHS) and the DHHS - County Health Related Programs.

The Department on Aging, which provides services to older adults in the County, through the State of Wisconsin's Family Care Program. Under Family Care, the Department on Aging, as the Care Management Organization (CMO), coordinates all long-term care services for eligible elders, including home and community based services as well as institutional services. Since 2000, this has required a change in staffing and client services to provide a one-stop service for long-term care, as opposed to the many funding sources and programs that were previously used to support elders in long-term care. Prior to 2004 the State of Wisconsin was required to contract with the County for CMO services. The State in 2004, made the decision to have the Department on Aging serve as the sole CMO for Milwaukee County.

The majority of the CMO Program revenue is a capitated payment from the State. Forty percent of client service costs of the CMO are controlled by Medicaid rate rules, while the remaining 60%, which is not covered by Medicaid rates, is based on set rates established by the department or on contracts with providers. At the end of 2005, the program had approximately 5,800 clients.

The Department of Human Services provides a wide range of services to children and adults through age 60. The department includes the Economic Support Division that assists people in obtaining food stamps, medical assistance under Title 19 and child day care benefits. The Delinquency and Court Services Division administers a Juvenile Detention Center and the post-dispositional placement resources for adjudicated delinquents. This division has been working on alternative methods of incarceration for adjudicated youths, including a wrap-around program. This reduces corrections costs and provides a better opportunity for at-risk youth. The Disabilities Service Division provides assistance to adults with special needs including persons with physical and developmental disabilities. Changes were made to create a resource center format similar to the Family Care program in the Department of Aging to better serve these clients. The Management Services Division provides contract administration, accounting and business support to the other divisions.

The County Health Related Programs (CHRP) was transferred from the Department of Administrative Services to the Department of Health and Human Services for 2003. CHRP continues to administer the Countywide Emergency Medical Services (EMS) paramedic program and General Assistance Medical Program (GAMP). EMS is responsible for managing all EMS-related functions in Milwaukee County. GAMP is the County's health care financing/delivery system for medically indigent persons residing within Milwaukee County. The GAMP program 2005 budget maintains the same funding level as the 2004 budget. This was possible because of agreements reached with local hospitals. GAMP affiliated hospital systems have agreed to pay for salary and fringe benefits related to GAMP eligibility workers and to reimburse the program for home health care services provided to GAMP clients. Aurora Health Care will fund the Nurse Call-Line program that was initiated as part of GAMP in 2003. Funding for this service previously was provided through a Federal CAP Grant, which expired in 2004.

- 7) **Parks, Recreation and Culture** includes the Parks Department, Zoological Department, Milwaukee County UW-Extension and funding for the Milwaukee Public Museum. The Parks Department administers and operates the Milwaukee County Park System that spans 15,000 acres and encompasses 150 parks and parkways, 15 golf courses, four community/recreation centers, two indoor pools, nine outdoor pools, numerous wading pools and splash pads, two family aquatic centers, five beaches, 117 tennis courts, 178 picnic areas, 23 major pavilions, over 188 athletic fields, 106-mile Oak Leaf Trail, Mitchell Park Horticultural Conservatory, Boerner Botanical Garden, McKinley Marina and Wehr Nature Center. The Department of Parks and Public Infrastructure (DPPI) was created in 2004 to consolidate the previous Parks Department and the Department of Public Works. The consolidation of these two departments is

to allow for greater flexibility in providing services, sharing maintenance and use of equipment, and improving response time.

Business-type Activities:

- 1) The **Airport** is an enterprise fund that is classified as a business-type activity in the Government-wide financial statements. Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman Airport. User fees support both of these airports. Airport administrative, maintenance and operational cost reimbursement are guaranteed through contractual agreements with the major carriers serving GMIA. Growth in flights and passenger traffic from GMIA, over a number of years, led to the need for additional parking at the Airport. Milwaukee County issued \$ 83.6 million of revenue bonds in 2000 for the building of an addition to the existing parking structure. These were the first revenue bonds issued by the County. The parking revenues were estimated to be sufficient to pay the bonds, but the bonds were also supported by the signatory airline lease agreements. In 2004 the County issued \$ 37.3 million in revenue bonds to fund the improvements to the C and D concourses, finish the parking structure, repair the Bus/Limousine Queue area and remodel the E concourse stem. In 2005 the County issued \$26.6 million in revenue bonds to continue to fund improvements to the C and D concourses, and the Cessna Apron addition.

Major security enhancements will continue at GMIA for the foreseeable future due to the September 11, 2001 terrorist attacks in the United States. The 2005 budget totals \$ 7.0 million for Sheriff and other security services. This represents 12.5% of the 2005 budget.

- 2) The **Milwaukee County Transit/Paratransit System** is an enterprise fund activity that is managed by Milwaukee Transport Services, Inc.; a private, non-profit corporation. For the Transit System, the corporation uses facilities and equipment owned and provided by the County to transport passengers by bus to various locations within the County. The Paratransit system is also operated by Milwaukee Transport Services to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements. DPPI over sees and administers federal and state grants for the transit system. DPPI- Transportation assists with the acquisition of capital equipment and facilities. Transit's 2005 budget was developed with no increase in passenger fares.

For the Paratransit operation in 2005, there is no increase in fares or major changes in operation costs. Trips provided by a local company for health appointments of disabled riders have been transferred to the Department of Health and Human Services-Disabilities Services Division. Due to this

change, the total numbers of paratransit trips are expected to be reduced by 58,000 or 5.1%.

- 3) The Department of Human Services - **Behavioral Health Division (BHD)** is also an enterprise fund. BHD provides services to mentally ill and developmentally disabled patients on an inpatient basis and administers a community-based service for children and adults who have mental illness. As part of the 2005 budget, the County along with four major local hospital systems jointly agreed to fund the acquisition and staffing of two new eight-bed Crisis Respite facilities. These facilities offer an alternative to inpatient hospitalization for individuals at risk of experiencing major psychiatric crisis. As such, they are expected to significantly reduce the pressure on BHD's psychiatric crisis services and inpatient units, plus provide another important option to serve Milwaukee County residents who are in need of psychiatric crisis services.

Other Activities and Issues

- 1) **Benefit Issues** In response to the concerns raised about the increased level of benefits that were granted to employees and elected officials in 2001, the County Board voted in February 2002 to change certain benefits. This included the level of payout at retirement for earned sick leave benefits. Prior to the change all employees were entitled to full payout at retirement of earned sick leave benefits. In February 2002 the County changed the "earned retirement benefits" for non-represented employees by reverting to the previous pay out maximum of 400 hours plus 16 hours for each additional 100 hours or part thereof. Union contracts could not be reopened so the change only effected non-represented positions.

We reported during 2002 that the County faced several lawsuits by non-represented employees in order to reinstate their benefits. Lawsuits were also filed by other employee groups and by retirees during 2002 in order to either protect their interest in benefits or be accorded some of the same benefits. One lawsuit was filed to reinstate wage increases for non-represented employees; however, the trial court granted the County's motion for summary judgment and dismissed this lawsuit. However, an appeal on this matter may be pursued.

A lawsuit, filed in 2002, was pending in State court against the County seeking to have changes made in the sick payout benefit for non-represented employees invalidated, in addition to have employees reinstated who retired as a result of the 2002 Sick Pay Change. This lawsuit requests both compensatory and punitive damages. A preliminary decision was delivered in 2004. This decision was in favor of the County, but was appealed. The appeal provided for some reinstatement of benefits to current and former employees. Discussions will be held between the

County and the plaintiffs to resolve issues that the appeal did not formally answer. A final decision has not been made, and as a result the future financial impact cannot be fully determined. Funds were set-aside in the 2005 financial projections to begin to cover cost of any settlement.

The benefit enhancements and accelerated retirement rate have caused a severe strain on the County's budget. In 2001 and 2002, the County contributed \$2.65 million and \$2.58 million respectively, to the Employee Retirement System (ERS). The 2003 County budget provided a contribution to the retirement fund of just over \$15 million, based on an actuarial required contribution of over \$20 million. The 2003 budget included the statement; "The \$15 million contribution is included with the understanding that this will be the base amount contributed by the county for the next five years." The actual contribution from the County for 2003 was over \$34 million which included the \$15 million budgeted contribution and additional funding to cover all pension contribution shortfalls for the past 3 years. For 2004 and 2005, the County contributed \$35.1 million and \$37.8 million, respectively to ERS. For 2006, an actuarial report issued in June 2005 recommended a contribution of \$45.9 million, based on an 8.0% rate of return on investments. This is an increase over prior year contributions, and is due to the change in the rate of return on investments from 8.5% to 8.0% plus a revised estimate of cost of benefits.

The County has begun to successfully reduce certain pension benefits and contracts with most County unions effective in 2005. The contracts include the elimination of the pension eligibility Rule of 75 and the pension back drop program. One union, DC 48 (AFSCME), which represents just fewer than half the County's employees, has not yet adopted a contract with these changes.

E) FINANCIAL INFORMATION

Internal Accounting Controls

County management is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgements by management.

Milwaukee County's internal control structure is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current

needs. This internal control structure is strengthened by the Milwaukee County Department of Audit. Under Milwaukee County Ordinances and Wisconsin Statutes, the Department of Audit is an extension of the legislative branch of Milwaukee County and provides the County Board of Supervisors with constant overview and independent review of County operations. The Department of Audit is responsible not only for the examination of financial statements but also for reviews of internal accounting, administrative controls, compliance with applicable laws and regulations, economic efficiency of operations, and effectiveness in achieving program results. The Department of Audit's audits are performed in accordance with generally accepted government auditing standards.

Budgetary Process

Milwaukee County has an executive budget process for the preparation of the annual operating and capital budgets. The Fiscal Affairs Division of the Department of Administrative Services provides the technical assistance required by the County Executive to review budget requests submitted by County departments and agencies. The Fiscal Affairs Division compiles these requests, along with principal and interest requirements, capital improvements, contingency requirements and the required tax levy. It reviews areas where changes may be considered and transmits its findings to the County Executive. The County Executive holds public hearings with respect to the requests, meets with departments and submits a recommended budget to the County Board on or before October 1st of each year. Subsequent to the receipt of the budget by the County Board, the County Board's Finance and Audit Committee reviews the County Executive's budget at public meetings. On the Monday following its regularly scheduled meeting on the first Tuesday in November, the County Board acts on the amendments and recommendations submitted by the Finance and Audit Committee, as well as amendments submitted by individual Board members. It adopts a final budget, subject to any vetoes by the County Executive, and levies taxes based upon equalized property values.

Budgetary Controls

Budgetary control is maintained by a formal appropriation and encumbrance system. Encumbrances are made against appropriations prior to the release of a purchase order to a vendor, or prior to the issuance of a check when a liability is incurred without a purchase order. Liabilities that exceed appropriation balances are not paid until an increased appropriation is made available.

During the year, departments may request transfers of appropriated dollars between departments or from an unallocated contingency budget. Any transfer requires the approval of the County Board and County Executive. If a transfer is to be made only within the department, approval of the transfer may not require County Board and County Executive approval.

Encumbered appropriations are carried forward at the end of the year by means of encumbrance reserves. These reserves are restored to departmental appropriation accounts in the following year. Expenditures are then recorded when the services or materials are received.

At the end of the year, any unencumbered appropriations and the associated unrecorded revenue that is still available for capital projects may be "carried over" to the subsequent year. A report of unappropriated budget dollars and unrecorded revenues are reported to the County Board by capital project number. The County Board and County Executive will then review the report and make any modifications to "capital carry-over" requests for capital projects. The result will be the establishment of a carryover reserve for capital projects. Similar to encumbrance reserves, these reserves are restored to the departmental appropriation account and revenue budget in the following year.

County Tax Rate Limit

Section 59.605 of the Wisconsin Statutes imposed a property tax rate limit on Wisconsin counties, effective August 12, 1993. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual levy rate adopted for the 1993 budget. Reductions in state-shared revenues and transportation aid are among the penalties established by state statutes for failing to meet the operating and debt service limit requirements.

The property tax rate established for general County operating purposes and special administrative levies as part of the 1993 adopted budget was approximately \$4.08 per \$1,000 of equalized value. The only conditions under which the maximum rate may be increased are if services are transferred between governmental units (transfers to other governmental units reduce the maximum rate) or if a referendum is approved by a majority of local electors to allow the maximum rate to be increased. For 2005, the operating tax rate was approximately \$ 3.81 per \$ 1,000 of equalized value.

The County adopted a debt levy rate of approximately \$ 1.42 per \$ 1,000 of equalized value as part of the 1993 budget. The conditions under which the debt service rate may be increased include: 1) a referendum is held that approves the debt issuance; 2) the county board of supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; 3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of the rate limit; 4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.05 (7)(f); 5) the debt is issued to fund or refund outstanding municipal obligations; or 6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board. In conformance with the conditions outlined above, the County levied a debt levy rate of \$.73 per \$ 1,000 of equalized value for the 2005 budget.

The rate limit also prohibits borrowing for "operating expenses". The statute defines "operating expenses" as "wages, salaries, fringe benefits, materials, supplies, contractual services, equipment with a useful life of less than one year and other costs specified by the Department of Revenue by rule".

Debt Administration

The County Board and County Executive monitor all anticipated borrowing plans of the County on a continuing basis. In 1994, Milwaukee County revised existing policies and established new policies that directly and indirectly affected its borrowing practices. Some of the changes included the development of guidelines for maximum debt burdens, modifications to the procedures for accepting competitive bids and the maximum length of maturity.

Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2005, the County had \$ 482.0 million of general obligation debt compared to a debt limit of \$2,834 million, or County debt as a percent of the limit of 17.0%. The equalized value of property was \$56,681 million as of that same date.

Approximately 87.2 percent of the County's general purpose obligations will be retired within ten years. County general purpose obligations do not include revenue bonds issued by the County with respect to the airports. For 2005, total debt of the County, which includes general purpose and Airport revenue bond obligations, was \$ 627 million. As of December 31, 2005, approximately \$ 147.2 million or 24.0 percent of the County's outstanding general purpose and revenue debt is for the airports. Pursuant to the lease agreements with the airlines, signatory airlines are obligated to pay all principal and accrued interest payments on debt issued on behalf of the airports.

Milwaukee County has maintained its ratings from Fitch IBCA, Moody's Investors Service, and Standard & Poor's Corporation on general obligation bond issues. Any explanations of the significance of ratings may be obtained from the rating agencies.

Fitch IBCA
AA

Moody's Investors Service
Aa3

Standard & Poor's
AA

In September 2003, the County authorized, but did not issue, general obligation promissory notes in the principal amount of \$14.22 million pursuant to the Credit Assistance agreement with a local company. These promissory notes would be issued in the event that the company defaults on Industrial Revenue Bonds issued within the last ten years to construct maintenance facilities for the company. In return for the credit assistance, the County obtained a mortgage on these maintenance facilities and \$4.9 million of debt reserves. Community Development Block Grant funds for economic development, from the State of Wisconsin, provided \$4.0 million of

the reserve funds. These reserve funds accrue interest and are now at a balance of \$5.2 million.

In 2004, the County provided a guarantee totaling \$ 1.0 million of the \$ 3.2 million loan of a non-profit corporation, for the purchase of a building.

On November 17, 2005, the County issued \$24.61 million of General Obligation Corporate Purpose Bonds. These bonds were used for various capital improvement projects of the County including highways and bridges, parks improvements, building improvements and the replacement of buses and other vehicles.

Cash Management and Investment Policies

Milwaukee County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County may purchase investment securities at prevailing market rates as allowed by Wisconsin State Statutes (S.66.0603(1m)) and Milwaukee County Ordinance. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. County policy requires that direct investment in public depository securities is further limited to a maximum investment, per institution of \$500,000 at one time, unless an acceptable form of collateral, surety, or other guarantee exists assuring the principal repayment to the County. The County's investment policy limits the use of reverse repurchase agreements to transactions with commercial banks located in the State of Wisconsin to a period of time no longer than 14 days. The County enters into reverse repurchase agreements for cash flow purposes only.

The Pension Trust fund's available cash is held separately by an outside trustee and is invested in various types of investments deemed appropriate by the Pension Board.

Risk Management

As stated in Note 10 in the notes to the financial statements, the County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss, loss control, and insurance-related activities of the County and its employees. The Risk Management Fund minimizes risk through the use of various risk control strategies. The County is self-insured for worker's compensation. County management believes that assets of the Risk Management Fund together with the commercial insurance companies' coverage will be adequate to meet insurance claims as they come due.

Pension Trust Fund Operations

The Pension Trust Fund ("Retirement System") accounts for the activities of the Employees' Retirement System ("ERS") and the OBRA 1990 Retirement System ("OBRA"). The ERS is a non-contributory single employer defined benefit pension plan that covers substantially all of its full-time employees. The OBRA (Omnibus Budget Reconciliation Act) 1990 Retirement System is also a non-contributory single employer defined benefit pension plan that covers the County's seasonal and certain temporary employees (see Note 15 to the financial statements). Assets of OBRA are commingled for investment purposes, with the assets of the ERS in the Retirement System. A complete financial report is available from the Pension Board that includes the Retirement Systems financial statements and required supplementary information.

F) OTHER INFORMATION

Independent Audit

The accounting firm of Virchow Krause & Company, LLP was engaged to perform an audit of the basic financial statements and to issue a report on internal controls and compliance with laws and regulations for the County. The auditors' report on the basic financial statements is included in this comprehensive annual financial report.

The selection of the independent audit firm was developed by a committee composed of representatives from the Department of Audit, County Controller's office, and two representatives from at-large departments. A request for proposal was submitted to all eligible firms. The firms who wanted to propose on the County audit submitted bids that were reviewed and ranked by the committee. The County Board and County Executive then approved the contract of the successful bidder.

The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2005 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of the CAFR.

The accounting firm of Coleman & Williams, Ltd. has issued reports on its audit of Federal and State grants. The Single Audit Report, covering Federal and State financial assistance, has been issued under separate cover.

Certificate of Achievement

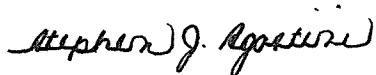
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2004. This was the twenty-fifth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Department of Administrative Services, Fiscal Affairs Division, the assistance of personnel in the various departments and through the competent service of the independent public accountants as well as the Department of Audit. We would like to express our appreciation to all persons who assisted in its preparation.

Respectfully submitted,



Stephen Agostini, Fiscal and Budget Administrator
Department of Administrative Services



Scott Walker
County Executive



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Milwaukee,
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



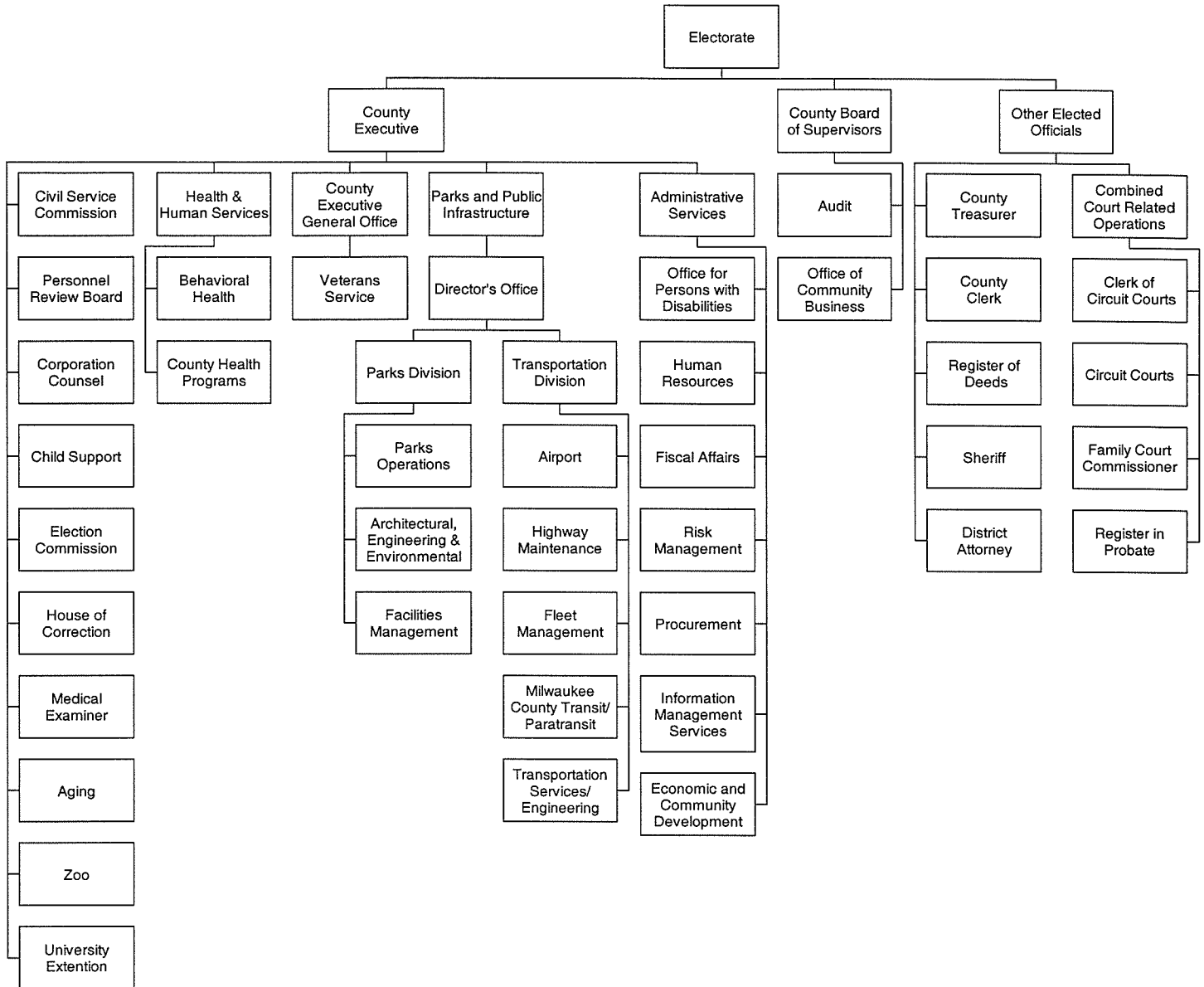
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

County of Milwaukee Organization Chart



COUNTY OF MILWAUKEE

LIST OF PRINCIPAL OFFICIALS

ELECTED

County Executive	-	Scott Walker
County Treasurer	-	Daniel Diliberti
District Attorney	-	E. Michael Mc Cann
County Clerk	-	Mark Ryan
Clerk of Courts	-	John Barrett
Sheriff	-	David Clarke Jr.
Register of Deeds	-	John La Fave

Supervisors and Their District by Number

1- James G. White	11- Mark A. Borkowski
2- Toni M. Clark	12- Peggy West
3- Gerry P. Broderick	13- Willie Johnson, Jr.
4- Marina Dimitrijevic	14- Richard D. Nyklewicz, Jr.
5- Lee Holloway	15- Lynne D. De Bruin
6- Joseph Rice	16- John F. Weishan, Jr.
7- Michael Mayo, Sr.	17- Dan Devine
8- Ryan P. McCue	18- Roger H. Quindel
9- Paul M. Cesarz	19- Jim Schmitt
10- Elizabeth M. Coggs-Jones	

APPOINTED

Departments

Title

Human Services	Director	Rob Henken
Mental Health Division	Administrator	Jim Hill
Circuit Courts	Chief Judge	Kitty K. Brennan
Corporation Counsel	Corporation Counsel	William Domina
Administration	Director	Linda Seemeyer
Audit	Director	Jerome Heer
Labor Relations	Director	Troy Hamblin
Human Resources	Director	Charles Mc Dowell
Park and Public Infrastructure	Director	Vacant
Parks and Public Infrastructure	Transportation	
	Superintendent	George A. Torres
Family Court Commissioner	Commissioner	Michael J. Bruch

COUNTY OF MILWAUKEE

LIST OF PRINCIPAL OFFICIALS

APPOINTED Continued

Departments

Title

House of Correction

Superintendent

Ronald Malone

Medical Examiner

Medical Examiner

Dr. Jeffrey Jentzen

Parks and Public Infrastructure

Parks Superintendent

Susan Black

Register in Probate

Register in Probate

Robert R. Knoll

Zoological Department

Director

Charles Wikenhauser

FINANCIAL SECTION

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**



INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the County of Milwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, which represent 20 percent and 60 percent, respectively, of the assets and the operating revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Milwaukee County War Memorial Center, Inc., the Private Industry Council of Milwaukee County Inc., A Workforce Development Board and the Milwaukee County Research Park Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the Milwaukee County War Memorial Center, Inc. and the Milwaukee County Research Park Corporation were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

In accordance with *Government Auditing Standards*, we have issued our report dated June 19, 2006 on our consideration of the County of Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 26 through 45 and pages 128 through 129, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Milwaukee, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such information.

Virehow, Krause & Company, LLP

Milwaukee, Wisconsin
June 19, 2006



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Management's Discussion and Analysis

Required Supplementary Information

This section of the County of Milwaukee's comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The County's assets exceeded its liabilities by \$ 447,824 on a government-wide basis as of December 31, 2005. The unrestricted net assets of the County were a negative \$ 18,306.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$ 888,280. Expenses amounted to \$ 884,469 (includes operating transfers out of \$ 52,809).
- For the fiscal year, revenues of the County's business-type activities were \$ 311,966, and expenses were \$ 373,750. The Behavioral Health Division and the Transit System are budgeted to receive and then are provided annually operating transfers from the General Fund to offset the shortfall between revenues and expenses. Operating transfers to these funds were \$ 52,809 for 2005.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$71,468, as compared to \$ 52,619 for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS (continued)

Highlights for Fund Financial Statements (continued)

- At the end of the 2005 fiscal year, unreserved fund balance for the General Fund was \$4,404 or 0.6% of total General Fund expenditures. At the end of the 2004 fiscal year the unreserved fund balance of the General Fund was \$ 3,692.
- The County's enterprise funds had combined net assets of \$213,757, as of December 31, 2005, compared to \$ 222,732, as of December 31, 2004.

General Financial Highlights

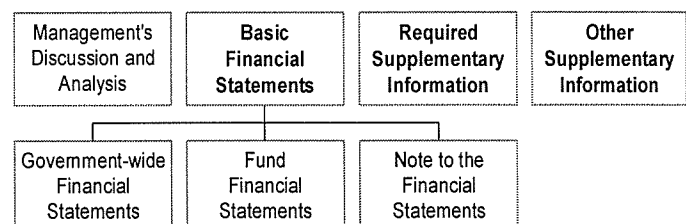
- In November 2005, the County issued \$ 24,610 of General Obligation Bonds to finance various capital needs. The County also issued \$63,025 of General Obligation Refunding Bonds to refund portions of the County's General Obligation Corporate Purpose Bonds and General Obligation Building Bonds.
- In December 2005, the Airport, an enterprise fund of the County, issued \$ 29,010 of revenue bonds for improvements to two concourses at General Mitchell International Airport. The Airport also issued \$7,755 of Airport Revenue Refunding Bonds to refund certain general obligations bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial

statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.

Components of the Financial Section



The County's basic financial statements consist of two kinds of statements each with a different view of the County's finances. The government-wide financial statements provide both long- and short-term information about the County's overall financial status. The fund statements focus on major aspects of the County's operations, reporting those operations in more detail than the government-wide statements. The

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the trend data pertaining to the retirement systems. Directly following this information is other supplementary information with combining and individual fund statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of Milwaukee County's finances in a manner similar to a private-sector business.

The first government-wide statement- *the statement of net assets*- presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for not only current uses of cash flow but also for items that will result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of Milwaukee County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Milwaukee County include legislative, executive and staff, general government, courts and judiciary services, public safety, public works and highways, human services, parks, recreation and culture. The business-type activities of Milwaukee County include the General Mitchell International Airport, Behavioral Health Division, and the Transit System.

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the primary government), but also legally separate entities (known as discretely presented component units) for which the County is financially accountable. Together, the primary government and its discretely presented component units are referred to as the reporting entity. The Milwaukee Public Museum, the Milwaukee County Research Park, the Milwaukee County War Memorial Center and the Private Industry Council of Milwaukee County are the County's

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 47-48 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Milwaukee County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Milwaukee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in other supplementary financial information.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental funds (continued)

The County adopts an annual appropriated budget for its general fund, debt service fund, and its capital projects funds. A budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance in the basic financial statements. Budgetary comparisons for other funds with adopted budgets have been included in other supplementary financial information. In addition, a general fund budgetary comparison by department is also included in other supplementary information.

The governmental fund financial statements can be found on pages 49-53 of this report.

Proprietary funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities of the Airports, DHHS-Behavioral Health Division, and the Transit System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its public works services, information management services, and its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The financial statements of the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports, DHHS-Behavioral Health Division and the Transit System, which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the other supplementary financial information.

The proprietary fund financial statements can be found on pages 54-56 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary funds (continued)

statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, the economic resources measurement focus and the accrual basis of accounting

The County's fiduciary funds consist of a pension trust fund and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plan- the Employees' Retirement System, and the OBRA Retirement System. The agency funds are used to account for monies received, held, and disbursed on behalf of the State of Wisconsin Court System located in the County; fee collections, as mandated by the State; social service clients; and certain other local governments.

The fiduciary fund financial statements can be found on pages 57-58 of this report.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 61-126 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 128-129 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions as other supplementary information. Budgetary comparison for the major funds is also provided in this section. Combining and individual fund statements and schedules can be found on pages 132-147 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are provided as part of the new approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports. Complete comparative information is provided in this Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 447.8 million at the close of the fiscal year. The County's decrease in net assets for this fiscal year amounts to \$ 5.2 million.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 449,346	\$ 406,133	\$ 136,295	\$ 119,560	\$ 585,641	\$ 525,693
Long-Term Assets	5,541	10,568	-	-	5,541	10,568
Capital Assets	632,613	639,931	350,629	345,522	983,242	985,453
Total Assets	1,087,500	1,056,632	486,924	465,082	1,574,424	1,521,714
Current Liabilities	420,512	394,305	59,783	51,856	480,295	446,161
Long-term Liabilities	432,921	432,071	213,384	190,494	646,305	622,565
Total Liabilities	853,433	826,376	273,167	242,350	1,126,600	1,068,726
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	239,957	252,316	174,016	206,060	413,973	458,376
Restricted	38,415	8,130	13,742	13,404	52,157	21,534
Unrestricted	(44,305)	(30,190)	25,999	3,268	(18,306)	(26,922)
Total Net Assets	<u>\$ 234,067</u>	<u>\$ 230,256</u>	<u>\$ 213,757</u>	<u>\$ 222,732</u>	<u>\$ 447,824</u>	<u>\$ 452,988</u>

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The largest portion of the County's net assets (92.4%) reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization) less the outstanding debt that was used to acquire those assets. For 2005, the balance of capital assets net of related debt was \$ 414 million. The County uses these capital assets to provide

services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

The restricted net assets portion represents resources that are subject to external restriction on how they may be used. Restricted net assets of \$ 52.2 million of the County's net assets represent resources that are subject to external restrictions some of which include debt service, airport PFC revenue and the airports capital projects. The restricted net assets have increased for 2005 due to the reserve for airport PFC revenue of \$34.2 million being classified as a restricted net asset. The airport PFC revenue is restricted for airport bond repayment and future airport capital needs. Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor are restricted for specific purposes. The unrestricted net assets were a negative \$ 18.3 million as of the end of 2005.

Composition of Net Assets of the Primary Government As of December 31, (In Thousands)

	Primary Government Total	
	2005	2004
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 413,973	\$ 458,376
Restricted	52,157	21,534
Unrestricted	(18,306)	(26,922)
Total Net Assets	\$ 447,824	\$ 452,988

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities

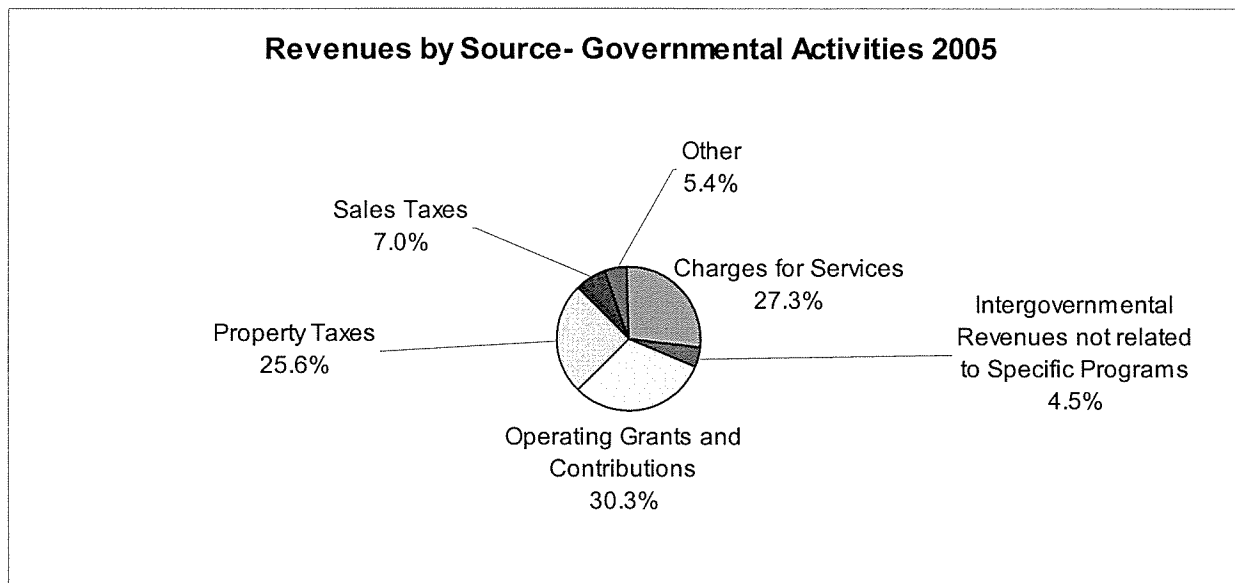
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2005 and 2004:

County of Milwaukee, Wisconsin
Summary of Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 243,880	\$ 211,687	\$ 163,226	\$ 156,232	\$ 407,106	\$ 367,919
Operating Grants and Contributions	270,785	251,906	140,581	133,046	411,366	384,952
Capital Grants and Contributions	3,410	39,702	7,127	-	10,537	39,702
General Revenues:						
Property Taxes	228,628	220,612	-	-	228,628	220,612
Sales Taxes	62,673	60,498	-	-	62,673	60,498
Investment Income and Rents	4,839	4,444	1,001	794	5,840	5,238
Intergovernmental Revenues not Related to Specific Programs	40,242	40,472	-	-	40,242	40,472
Gain on Sale of Capital Assets	93	725	31	32	124	757
Other-Revenue	33,730	26,654	-	-	33,730	26,654
Total Revenues	888,280	856,700	311,966	290,104	1,200,246	1,146,804
Expenses:						
Legislative, Executive, and Staff	70,546	65,142	-	-	70,546	65,142
Courts and Judiciary	56,517	54,715	-	-	56,517	54,715
General Governmental Services	8,152	8,992	-	-	8,152	8,992
Public Safety	138,885	136,896	-	-	138,885	136,896
Public Works and Highways	88,133	82,543	-	-	88,133	82,543
Human Services	363,558	345,251	-	-	363,558	345,251
Parks, Recreation, and Culture	69,150	69,861	-	-	69,150	69,861
Other	19,222	9,086	-	-	19,222	9,086
Interest	17,497	17,502	-	-	17,497	17,502
Airport	-	-	58,894	54,720	58,894	54,720
Behavioral Health	-	-	157,233	147,055	157,233	147,055
Transit	-	-	157,623	154,003	157,623	154,003
Total Expenses	831,660	789,988	373,750	355,778	1,205,410	1,145,766
Change in Net Assets Before Transfers	56,620	66,712	(61,784)	(65,674)	(5,164)	1,038
Transfers	(52,809)	(74,739)	52,809	74,739	-	-
Change in Net Assets	3,811	(8,027)	(8,975)	9,065	(5,164)	1,038
Net Assets- Beginning of the Year	230,256	238,283	222,732	213,667	452,988	451,950
Net Assets- End of the Year	\$ 234,067	\$ 230,256	\$ 213,757	\$ 222,732	\$ 447,824	\$ 452,988

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities



Revenues for the County's governmental activities were \$ 888,280 for the fiscal year 2005, representing an increase of \$ 31,580 over fiscal year 2004. Sources of revenue for 2005 as a percentage of total revenues are shown above. Taxes, both property and sales constitute the largest source of County revenues, amounting to \$ 291,301 for fiscal year 2005, an increase of \$ 10,191 over the fiscal year 2004. Real property taxes of \$ 228,628 represent over 78.5% of total taxes, but only 25.7% of all revenues combined. Sales taxes provided tax revenue of \$ 62,673.

Some of the cost of governmental activities was paid for by those who directly benefited from the programs, as a charge for services [\$ 243.9 million] and from governments and non-profit organizations as operating and capital grants and contributions [\$ 274.2 million].

Charges for services increased to \$ 243,880 in 2005, an increase of \$ 32,193 over the 2004 fiscal year. This increase in charges for services represent the payments that are being received on behalf of participants in the family care program in the Department on Aging established by the State in recent years. Operating grants and contributions continue to be support for the majority of the social services with \$ 270,785 of governmental activity funding. This revenue increased by \$ 18,879 over the 2004 fiscal year.

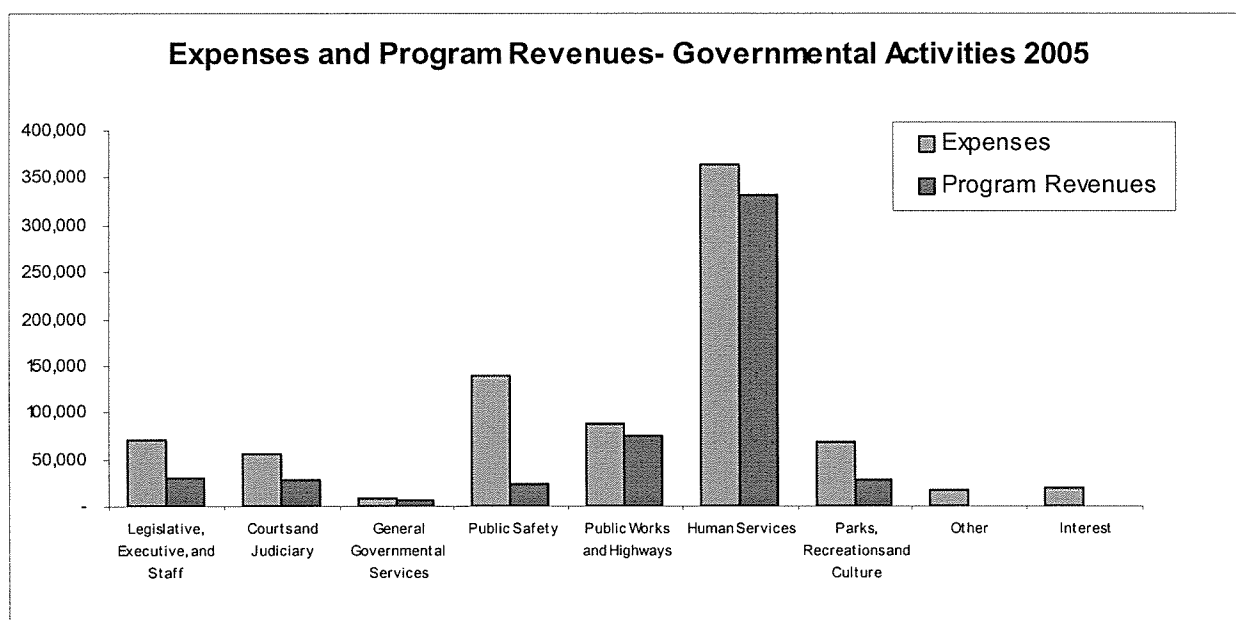
Total cost of all of the County's governmental activities for the fiscal year 2005 was \$ 831,660, representing an increase of \$ 41,672 over 2004 activity. As the chart indicates below, human services continue to be the County's largest program. Human services cost was \$ 363,558, an increase of \$ 18,307 over the prior year, due primarily

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)

to the continued growth of family care program, in the Department on Aging. This program was established for the elderly in place of normal Medicare funding. The net tax contribution for human services was \$ 30,237.

Public safety represents the second largest expense totaling \$ 138,885 for the operation of correctional facilities, pre-trial holding facilities and county sheriff services. Public safety expenses increased by \$ 1,989 compared to prior year expenses. The net tax levy cost for public safety for 2005 was \$ 115,814.



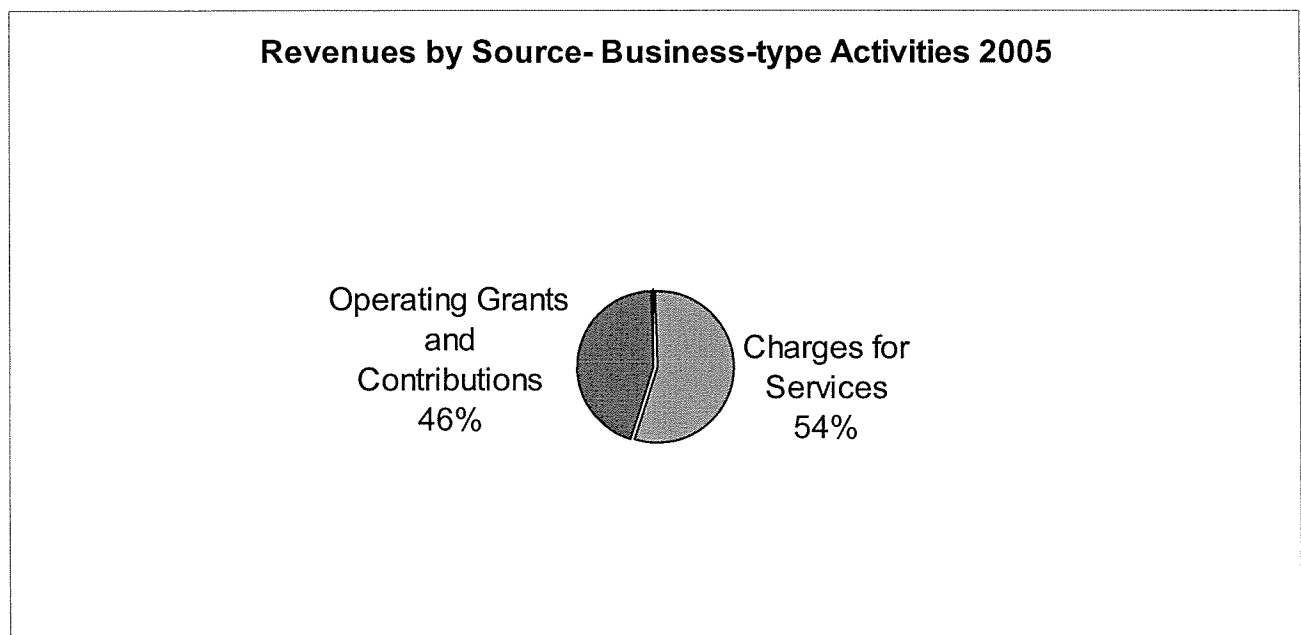
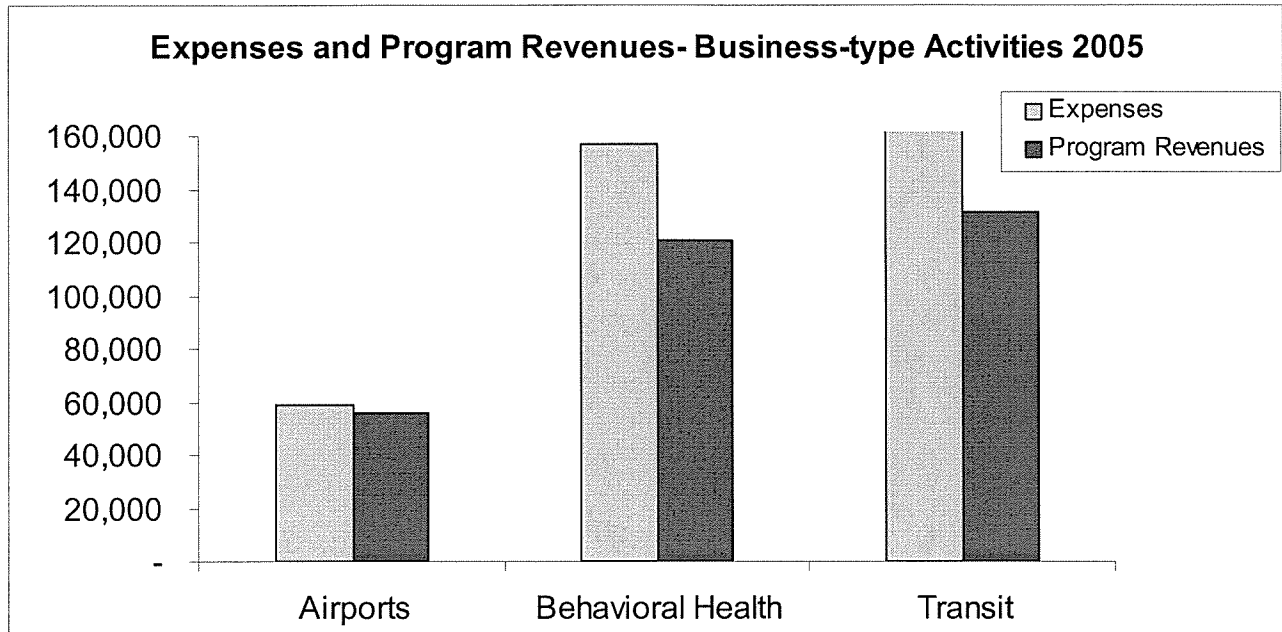
Business-type activities

The Airports recover 94% of all costs of operation from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports. Operating transfers are negligible for the Airports. The DHHS Behavioral Health Division, and Transit System require operating transfers from the governmental activities funds for support of their operation. Total governmental activity operating support through operating transfers for Behavioral Health and the Transit System was \$ 35,607 and \$18,464, respectively, for fiscal year 2005. Total state and federal grants and contributions for the Transit System was \$ 79,133 for 2005. This is an increase of \$2,025 over the 2004 fiscal year. Direct support from users of the Transit System was \$42,854 or 27% of total expenses. The Transit System uses federal grant funds to purchase capital assets, plus pay for maintenance parts and tires. State funding is available to cover general operating costs, but this grant funding has been fixed in

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type activities (continued)

recent years. Operating grants and contributions, and charges for services for the DHHS Behavioral Health Division was \$ 61,136, and \$ 59,870, respectively



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$ 71,468. Approximately 0.6% of this amount or \$ 4,404 constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed. The reserved fund balance consists of \$ 1,023 for inventories, \$ 23,971 for encumbrances, \$ 2,979 for debt service, \$ 4,664 for 2007 appropriations, (\$ 1,573) for 2006 appropriations, and \$ 36,000 for endowments, bequests, restricted donations, and restricted user fees. Restricted user fees (public facilities charges) (PFC) are fees collected by Airlines that are restricted for revenue bond debt and or future capital needs of the Airports. These fees are recorded in the non-major governmental funds. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2005, unreserved fund balance of the general fund was \$ 4,404 while total fund balance reached \$ 24,034. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.6% of total fund expenditures, while total fund balance represents 3.4% of that same amount.

The fund balance of the County's general fund increased by, \$15,050 during the 2005 fiscal year. Cost saving measures and an increase in the reserve for encumbrances led to this increase.

The debt service fund has a total fund balance of \$ 2,979 all of which is reserved for the payment of debt service. The net decrease in the debt service reserve for the current year was \$ 5,151. The reserve was scheduled to be used in 2005, for debt service interest costs.

The capital projects fund has a total fund balance of \$ 8,455 all of which is reserved for commitments made on capital projects in progress. The net decrease in fund balance during the current year in the capital projects fund was \$ 3,847. The fund balance decreased due to the County's continuing goal of completing projects sooner,

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

Governmental funds (continued).

and due to reduced capital funding.

Proprietary funds.

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the three major funds, which include the Airports, Behavioral Health Division, and the Transit System at the end of the year were \$ 25,999. Total net assets of these same three major funds were \$213,757 as of the end of 2005 and \$ 222,732 as of the end of 2004. The total growth/(decline) in net assets for these three funds were \$ 4,127, \$ (1,446), and \$ (11,656), respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2005
(In Thousands)

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 289,765	\$ 289,765	\$ 290,274	\$ 509
Intergovernmental Revenue	280,033	288,381	275,467	(12,914)
Charges for Services	206,998	216,361	213,361	(3,000)
Other	42,572	42,390	41,127	(1,263)
Total	\$ 819,368	\$ 836,897	\$ 820,229	\$ (16,668)
<u>Expenditures and Other Uses</u>				
Expenditures	\$ 703,248	\$ 731,466	\$ 699,445	\$ 32,021
Transfers	116,120	105,431	116,804	(11,373)
Total	\$ 819,368	\$ 836,897	\$ 816,249	\$ 20,648
Change in Fund Balance	\$ -	\$ -	\$ 3,980	\$ 3,980

As shown above, revenues and other financing sources exceeded expenditures and other financing uses by \$ 4.0 million in the General Fund for the year ended December 31, 2005. This is a variance from budget of \$ 4.0 million. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets by the inclusion of encumbrances of

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

\$ 7.5 million in expenditures offset by the inclusion of a negative contribution from reserves for 2005 appropriations of (\$ 3.5) million.

Actual General Fund revenues were less than budgeted revenues by \$ 16.7 million during fiscal year 2005. These decreases in revenues are due to lower inter-governmental revenue of \$ 12.9 million, lower charges for services of \$ 3.0 million and lower other revenue of \$1.3 million. The reduction in intergovernmental revenue is primarily from the Courts-Children's Division (\$ 1.1 million), Public Works and Highways (\$ 1.8 million), and Human Services (\$ 9.0 million). The lower revenue in Courts-Children's Division reflects revenue shortfalls in court provided counsel reimbursement from the State. It was budgeted that the State would increase these reimbursements; however, this was not accomplished. Public Works and Highways lower revenue of \$1.8 million is due to the State of Wisconsin highway maintenance agreements being capped at a funding level lower than anticipated. The lower revenue in Human Services of \$9.0 million is due to; a reduction in long-term support clients, transfer of general state aids (Basic Community Aids) to support programs at Behavioral Health, and the reduction in youth aid revenue associated with prior year claims. The lower revenue in all of these departments was offset by reduced expenditures in these same departments. Lower revenue in charges for services of \$3.0 million consists primarily of reduced concession and activities revenue in the Parks Recreation and Culture area. Lower revenue from other sources of \$ 1.3 million is primarily related to less than budgeted investment income.

Actual General Fund expenditures were lower than amended budget expenditures by \$32.0 million. This variance is mainly due to departments that receive outside revenues lowering their costs to offset reduced revenues. Reduced expenditures are primarily associated with grant expenditures, and personnel costs including fringe benefits.

There are three basic reasons for increases between the original budget and the amended budget: fund transfer requests from departments, carryover of capital outlay and the associated revenue from the prior year, and carryover of encumbrances from the prior year. The encumbrance carryover process is automatic each year, and is authorized by Wisconsin State statute and Milwaukee County ordinance. The carryover of capital outlay and the associated revenue is also authorized by State statute and is approved by the County Board on a preliminary basis in March and finalized in April. During the fiscal year, the County Board receives fund transfer requests from departments. These transfer requests are reviewed and approved by the County Board.

The increase between the original budget for revenue of \$ 819,368 and the final budget for revenue of \$ 836,897 was \$ 17,529 and was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of (\$ 2,366).

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

- Fund transfers of \$19,895 including:
 - Net revenue increase of \$ 9,187 in the State of Wisconsin 2005 Care Management Organization (CMO) for Family Care costs.
 - \$ 1,990 million carryover grants to 2005 for the programs and projects pursuant to the federally funded Community Development Block Grant and Home programs.
 - \$ 1,312 million for an increase in the State of Wisconsin Area Agency Nutrition Program, including a projected increase in meals purchased by the Family Care Program in the Department on Aging.
 - \$ 1,293 million for the Milwaukee Metropolitan Drug Enforcement Group Grant from the Office of the Sheriff and the District Attorney's Office.
 - \$ 4,833 million fund transfer to align the Department of Health and Human Services 2005 Adopted Budget with the actual 2005 State/County Contract for the provision of various human services.

The increase between the original budget for expenditure appropriations of \$ 703,248 (before transfers) and the final budget for expenditure appropriations of \$ 731,466 (before transfers) of \$ 28,218 was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of \$ 5,755.
- Fund transfers of \$ 22,463 including:
 - Expenditures increase \$9,186 million for the Department on Aging CMO (Family Care Program), including \$4,350 for repayment of contributions made by Milwaukee County, \$1,784 for establishment of reserve, \$750 to establish a capital reserve account for technology maintenance and upgrade, and \$2,302 for direct member services.
 - \$1,990 million in additional expenditure authority to reestablish federally funded Community Development Block Grant and Home programs from 2004.
 - \$1,312 million for nutrition program expenditure in Family Care Program.
 - \$3,821 million to align the Department of Health and Human Services 2005 Adopted Budget with the actual 2005 State/County Contract for the provision of various human services.
 - \$ 966 to establish operating expenditures authority for maintenance, and enhancement of the Milwaukee County Automated Land Information System. Funding was from restricted reserve.
 - A net transfer to the general contingency fund of \$3,499 provided from expenditure cuts in the proprietary funds plus additional revenues. The contingency fund budget was increased to offset midyear projected deficits.

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Transfers represent the net budgeted funds to be provided by the General Fund to breakeven the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 116,120 and amended budget of \$ 105,431). The net contribution actually made by the General Fund to other funds was \$ 116,804. The General Fund collects all of the property tax and sales tax revenues of the County \$ 290,274, plus intergovernmental revenues not related to a specific program of \$ 40,242. These revenues are then transferred at the end of the year to the other governmental funds and the proprietary funds to offset any shortfalls between revenues and expenditures. Any gains in these same funds are returned to the General Fund, except for the Airport, who is required to maintain any gains or losses as part of its lease agreements and revenue bond agreements. The change in transfers between the original budget and the amended budget is due to the net changes in carryovers and encumbrances between years, and any net transfers made from the general fund to proprietary fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Milwaukee County's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$ 983,242 (net of accumulated depreciation of \$ 848,306). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure. All infrastructure assets of the County are included in this report. The total increase in the County's investment in capital assets for the current fiscal year was 0.33% (a 1.15% decrease in governmental activities and a 1.48% increase for business-type activities). Major capital asset events in the current year included the following:

- Continuation of roadway-related projects, include reconstruction of a portion of North Port Washington Road for a cost of \$ 5,265.
- Bridge replacement on County highways continued in 2005. Reconstruction work was done on the Forest Home Bridge for \$1,127 and the West Hampton Avenue Bridges over the Union Pacific Railway for \$2,520.
- The Airport continued several capital projects, including the D Concourse improvements to increase the area for airline activities, the C Concourse gate expansion, and the Cessna Apron addition. The cost of these projects for 2005 is \$9,566, \$17,027, and \$10, respectively. All three of these projects are funded with Airport revenue bonds and passenger facility charge (PFC) revenues. Revenue bonds for these projects were issued in 2005.
- Other Airport capital improvements include the security system upgrade for \$1,828, and the concession mall renovation for \$1,050.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

- Airport major maintenance projects for a total cost of \$1,773 included the runway and taxiway pavement repair and centerline work, the elevator control upgrades, and the resurfacing of one-third the employee parking lot.
- The airport continues to work on programs to address noise in the surrounding neighborhoods with a noise mitigation program. This program is funded both by Federal dollars and PFC revenues. Total capitalized cost in 2005 was \$ 1,540.
- Parks and Zoo continued several projects during 2005, the feline building renovation for \$ 2,303, various infrastructure improvements to the Zoo and Parks for \$ 1,274, and, the Park trail hard surface replacement for \$ 850.
- The South Shore breakwater shoreline protection project cost was \$ 1,763.
- Milwaukee County Historical Society renovation cost was \$ 1,392.
- Continuation of upgrading the County's fleet equipment for a cost of \$ 1,694.
- Continuation of upgrading the County's radio and information system for \$ 2,107.
- The Courthouse roof replacement project was completed. The 2005 cost was \$ 2,032.

Milwaukee County's Capital Assets

(Net)

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Land	\$ 59,520	\$ 60,269	\$ 22,441	\$ 20,759	81,961	\$ 81,028
Construction in Progress	72,831	53,950	70,610	51,637	143,441	105,587
Land Improvements	88,414	-	43,244	-	131,658	-
Building and Improvements	291,233	404,412	137,057	188,687	428,290	593,099
Furniture, Vehicles & Equipment	43,043	48,451	77,277	84,439	120,320	132,890
Infrastructure	77,572	72,849	-	-	77,572	72,849
Total	\$ 632,613	\$ 639,931	\$ 350,629	\$ 345,522	\$ 983,242	\$ 985,453

Additional information on the County's capital assets can be found in Note 5 on pages 94-99 of this report.

Long-term debt

At December 31, 2005, the County had total debt outstanding of \$ 626,578. Of this amount, \$ 473,723 comprised of general obligation bonds and \$ 152,855 of airport revenue bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term debt (continued)

Milwaukee County's Outstanding Debt General Obligation and Revenues Bonds

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 420,674	\$ 425,707	\$ 53,049	\$ 57,152	\$ 473,723	\$ 482,859
Revenue Bonds	-	-	152,855	120,737	152,855	120,737
Totals	\$ 420,674	\$ 425,707	\$ 205,904	\$ 177,889	\$ 626,578	\$ 603,596

The County's total debt increased by \$ 23.0 million during the year ended December 31, 2005. This increase was the result of a new revenue bond issue. General obligation bonds principal payments exceeded the proceeds received from new general obligation bonds issued for capital projects. New general obligation bonds were issued for \$ 24,610 to finance the following capital projects: highways and bridges \$ 1,565, mass transit \$ 22,970, and parks, recreational, and cultural facilities \$ 75. New airport revenue bonds were issued in December 2005 for \$ 29,010 to finance the C Concourse expansion for \$ 17,026, D Concourse security improvements for \$ 9,566, Cessna Apron addition for \$10, debt service reserve deposit of \$2,609 and capitalized interest of \$ 510.

Additional information on the County's long-term debt can be found in Note 8 on pages 101-111 of this report.

Economic Factors and Next Year's Budget and Rates

- Milwaukee County unemployment rate decreased for 2005 to 5.9% the national average unemployment rate decreased to 5.1%.
- Equalized value of taxable property increased to \$ 56.7 billion in 2005 from \$ 51.1 billion in 2004.
- Health care costs in the Milwaukee area are increasing faster than any other metro area in Wisconsin in the last year, according to a study of costs in Wisconsin.

All of these factors were considered in preparing the County's budget for the 2006 fiscal year. The deficit from 2004 of \$ 1,573, which is identified on the Governmental Funds balance sheet as Reserved for 2006 Appropriations, was included in the 2006 budget, as required by state statute, and covered by available funds.

Economic Factors and Next Year's Budget and Rates (continued)

During the 2005 fiscal year, the County had a net excess of revenues over expenditures of \$ 4,664 after considering net revenue from operations and changes in reserve balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2007 Appropriations, and will be added to the revenue of the 2007 budget.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Milwaukee County Court House, 901 North 9th Street, Room 308, Milwaukee, WI 53233.



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BASIC FINANCIAL STATEMENTS

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2005
(In Thousands)

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and Investments	\$ 91,354	\$ 61,907	\$ 153,261	\$ 3,308
Cash and Investments -- Restricted	36,405	43,493	79,898	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	1,928	19,694	21,622	1,612
Property Taxes:				
Current Levy	233,430	-	233,430	-
Delinquent	7,988	-	7,988	-
Accrued Interest and Dividends	4,157	-	4,157	-
Notes	3,410	-	3,410	-
Other	8,339	2,329	10,668	-
Due From Other Governments	57,527	4,853	62,380	-
Inventories	1,700	3,425	5,125	109
Prepaid Items	3,108	347	3,455	218
Other Assets	-	247	247	-
Total Current Assets	449,346	136,295	585,641	5,247
Noncurrent Assets:				
Contributions Receivable	-	-	-	34
Notes Receivable	5,135	-	5,135	-
Deferred Charges	406	-	406	-
Other Assets	-	-	-	1,347
Capital Assets (Net)				
Land	59,520	22,441	81,961	513
Construction in Progress	72,831	70,610	143,441	580
Land Improvements	195,883	124,102	319,985	-
Buildings and Improvements	555,254	323,919	879,173	21,633
Machinery, Vehicles and Equipment	115,080	163,619	278,699	9,978
Infrastructure	128,289	-	128,289	-
Less: Accumulated Depreciation	(494,244)	(354,062)	(848,306)	(8,333)
Total Capital Assets (Net)	632,613	350,629	983,242	24,371
Total Noncurrent Assets	638,154	350,629	988,783	25,752
Total Assets	\$ 1,087,500	\$ 486,924	\$ 1,574,424	\$ 30,999
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 37,455	\$ 9,230	\$ 46,685	\$ 3,176
Accrued Liabilities	41,256	3,926	45,182	1,500
Accrued Interest Payable	5,461	1,158	6,619	69
Accrued Pension Payable	35,735	-	35,735	-
Due to Other Governments	1,006	3,066	4,072	-
Unearned Revenues	235,367	10,760	246,127	843
Bonds and Notes Payable	34,923	17,692	52,615	406
Unfunded Claims and Judgments	3,874	-	3,874	-
Landfill Postclosure Costs	1,569	-	1,569	-
Compensated Absences Payable	23,865	10,482	34,347	-
Other Current Liabilities	1	3,469	3,470	318
Total Current Liabilities	420,512	59,783	480,295	6,312
Noncurrent Liabilities:				
Bonds and Notes Payable	385,751	41,225	426,976	23,009
Bonds and Notes Payable -- Revenue Bonds	-	146,987	146,987	-
Unfunded Claims and Judgments	9,250	-	9,250	-
Landfill Postclosure Costs	12,210	-	12,210	-
Compensated Absences Payable	25,710	15,434	41,144	-
Capital Leases	-	-	-	651
Accrued Pension and Postretirement Benefits	-	9,738	9,738	7,712
Total Noncurrent Liabilities	432,921	213,384	646,305	31,372
Total Liabilities	853,433	273,167	1,126,600	37,684
NET ASSETS				
Unrestricted (Deficit)	(44,305)	25,999	(18,306)	(10,529)
Restricted for:				
Debt Service	2,415	10,328	12,743	-
Capital Asset Needs	-	3,414	3,414	-
Airport PFC	34,155	-	34,155	-
Other	1,845	-	1,845	3,308
Invested in Capital Assets, Net of Related Debt	239,957	174,016	413,973	536
Total Net Assets	234,067	213,757	447,824	(6,685)
Total Liabilities and Net Assets	\$ 1,087,500	\$ 486,924	\$ 1,574,424	\$ 30,999

The notes to the financial statements are an integral part of this statement.



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COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2005
(In Thousands)

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative, Executive and Staff	\$ (70,546)	\$ 10,494	\$ 19,733	\$ 3,484	\$ (36,835)	\$ -	\$ (36,835)	\$ -
Courts and Judiciary	(56,517)	3,527	23,272	-	(29,718)	-	(29,718)	-
General Governmental Services	(8,152)	7,144	100	-	(908)	-	(908)	-
Public Safety	(138,885)	3,938	19,133	-	(115,814)	-	(115,814)	-
Public Works and Highways	(88,133)	29,524	37,612	(74)	(21,071)	-	(21,071)	-
Human Services	(363,558)	163,613	169,708	-	(30,237)	-	(30,237)	-
Parks, Recreation and Culture	(69,150)	25,639	1,227	-	(42,284)	-	(42,284)	-
Other	(19,222)	-	-	-	(19,222)	-	(19,222)	-
Interest	(17,497)	-	-	-	(17,497)	-	(17,497)	-
Total Governmental Activities	(831,660)	243,880	270,785	3,410	(313,585)	-	(313,585)	-
Business-Type Activities:								
Airport	(58,894)	55,599	312	7,371	-	4,388	4,388	-
Behavioral Health	(157,233)	59,870	61,136	(826)	-	(37,053)	(37,053)	-
Transit	(157,623)	47,757	79,133	582	-	(30,151)	(30,151)	-
Total Business-Type Activities	(373,750)	163,226	140,581	7,127	-	(62,816)	(62,816)	-
Total Primary Government	\$ (1,205,410)	\$ 407,106	\$ 411,366	\$ 10,537	(313,585)	(62,816)	(376,401)	-
Component Units:								
Museum	\$ (26,267)	\$ 7,556	\$ 3,598	\$ -	-	-	-	(15,113)
War Memorial Center	(7,022)	2,010	2,858	-	-	-	-	(2,154)
Private Industry Council	(15,399)	118	15,129	-	-	-	-	(152)
Research Park Corporation	(1,452)	743	-	-	-	-	-	(709)
Total Component Units	\$ (50,140)	\$ 10,427	\$ 21,585	\$ -	-	-	-	(18,128)
General Revenues:								
Property Taxes					228,628	-	228,628	-
Sales Taxes					62,673	-	62,673	-
Intergovernmental Revenues Not Related to Specific Program					40,242	-	40,242	-
Investment Income					4,839	1,001	5,840	4,611
Gain on Sale of Capital Assets					93	31	124	-
Other -- Revenue					33,730	-	33,730	1,992
Transfers					(52,809)	52,809	-	-
Total General Revenues and Transfers					317,396	53,841	371,237	6,603
Change in Net Assets					3,811	(8,975)	(5,164)	(11,525)
Net Assets -- Beginning					230,256	222,732	452,988	4,840
Net Assets -- Ending					\$ 234,067	\$ 213,757	\$ 447,824	\$ (6,685)

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2005
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 56,485	\$ 4,357	\$ 10,964	\$ 1,607	\$ 73,413
Cash and Investments -- Restricted	2,250	-	-	34,155	36,405
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	1,209	187	-	-	1,396
Property Taxes:					
Current Levy	233,430	-	-	-	233,430
Delinquent	7,988	-	-	-	7,988
Accrued Interest	4,157	-	-	-	4,157
Notes Receivable	4,100	4,445	-	-	8,545
Other	7,988	-	109	243	8,340
Due From Other Governments	54,086	-	3,161	-	57,247
Inventories	1,023	-	-	-	1,023
Prepaid Items	2,978	-	-	31	3,009
Total Assets	<u>\$ 375,694</u>	<u>\$ 8,989</u>	<u>\$ 14,234</u>	<u>\$ 36,036</u>	<u>\$ 434,953</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 29,422	\$ 831	\$ 5,773	\$ 35	\$ 36,061
Accrued Liabilities	39,647	734	-	-	40,381
Accrued Pension Payable	35,735	-	-	-	35,735
Other Liabilities	-	-	-	1	1
Due to Other Governments	1,006	-	-	-	1,006
Deferred Revenues	245,850	4,445	6	-	250,301
Total Liabilities	<u>351,660</u>	<u>6,010</u>	<u>5,779</u>	<u>36</u>	<u>363,485</u>
Fund Balance:					
Reserved for 2006 Appropriations	(1,573)	-	-	-	(1,573)
Reserved for 2007 Appropriations	4,664	-	-	-	4,664
Reserved for Debt Service	-	2,979	-	-	2,979
Reserved for Encumbrances	15,516	-	8,455	-	23,971
Reserved for Inventories	1,023	-	-	-	1,023
Reserved for Health and Safety	-	-	-	46	46
Reserved for Zoo	-	-	-	541	541
Reserved for Parks	-	-	-	658	658
Reserved for Persons with Disabilities	-	-	-	122	122
Reserved for Behavioral Health Division	-	-	-	478	478
Reserved for Airport PFC	-	-	-	34,155	34,155
Unreserved -- Designated for Delinquent Property Tax	3,999	-	-	-	3,999
Unreserved -- Designated for Economic Development	138	-	-	-	138
Unreserved -- Designated for Housing	267	-	-	-	267
Total Fund Balance	<u>24,034</u>	<u>2,979</u>	<u>8,455</u>	<u>36,000</u>	<u>71,468</u>
Total Liabilities and Fund Balance	<u>\$ 375,694</u>	<u>\$ 8,989</u>	<u>\$ 14,234</u>	<u>\$ 36,036</u>	<u>\$ 434,953</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Assets
For the Year Ended December 31, 2005
(In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/05	\$	71,468
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**Total net assets reported for governmental activities in the
statement of net assets is different because of the following:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets, except for internal service funds, consist of:

Land		58,138
Land Improvements		184,961
Buildings and Improvements		462,914
Machinery, Vehicles and Equipment		46,716
Infrastructure		128,289
Construction in Progress		54,689
Less: Accumulated Depreciation		(365,297)

Internal service funds are used by management to charge costs associated with risk management, data processing services and public works services including fleet management and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:

21,061

Amounts to be collected under long-term receivables are not available to pay for the current period expenditures, and therefore are reported as deferred in the funds.

15,194

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate liabilities. These liabilities, except internal service fund liabilities, consist of:

Bonds Payable		(377,570)
Unamortized Debt Issue Costs		406
Compensated Absences -- Long-Term		(34,991)
Landfill Postclosure Costs		(13,779)
Unfunded Claims and Judgments		(13,124)

Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.

(5,008)

Total Net Assets of Governmental Activities as of 12/31/05

\$ 234,067

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended December 31, 2005
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 275,467	\$ -	\$ 23,712	\$ -	\$ 299,179
Property Taxes	228,628	-	-	-	228,628
Sales Taxes	61,646	-	1,027	-	62,673
Investment Income and Rents	7,657	484	52	548	8,741
Charges for Services	213,361	-	-	727	214,088
Fines and Forfeits	2,823	-	-	-	2,823
Licenses and Permits	442	-	-	-	442
PFC Revenues	-	-	-	9,917	9,917
Other	30,205	7,300	-	383	37,888
Total Revenues	<u>820,229</u>	<u>7,784</u>	<u>24,791</u>	<u>11,575</u>	<u>864,379</u>
Expenditures:					
Current:					
Legislative, Executive and Staff	38,774	-	-	-	38,774
Courts and Judiciary	57,456	-	-	-	57,456
General Governmental Services	8,203	-	-	-	8,203
Public Safety	136,398	-	-	-	136,398
Public Works and Highways	16,532	-	-	-	16,532
Human Services	362,755	-	-	15	362,770
Parks, Recreation and Culture	62,026	-	-	958	62,984
Other	15,981	527	1,581	648	18,737
Capital Outlay	-	-	48,182	-	48,182
Debt Service:					
Principal Retirement	-	24,657	-	-	24,657
Interest	-	16,232	-	-	16,232
Total Expenditures	<u>698,125</u>	<u>41,416</u>	<u>49,763</u>	<u>1,621</u>	<u>790,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122,104</u>	<u>(33,632)</u>	<u>(24,972)</u>	<u>9,954</u>	<u>73,454</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	-	24,610	-	24,610
Premium on Debt Issued	-	-	518	-	518
Refunding Bonds Issued	-	55,248	-	-	55,248
Payment to Refunded Bond Escrow Agent	-	(54,821)	-	-	(54,821)
Transfers In	23,294	32,835	-	2,843	58,972
Transfers Out	(130,348)	(4,781)	(4,003)	-	(139,132)
Total Other Financing Sources (Uses)	<u>(107,054)</u>	<u>28,481</u>	<u>21,125</u>	<u>2,843</u>	<u>(54,605)</u>
Net Change in Fund Balances	15,050	(5,151)	(3,847)	12,797	18,849
Fund Balances - Beginning	8,984	8,130	12,302	23,203	52,619
Fund Balances - Ending	<u>\$ 24,034</u>	<u>\$ 2,979</u>	<u>\$ 8,455</u>	<u>\$ 36,000</u>	<u>\$ 71,468</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance
of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2005
(In Thousands)

Net change in fund balances -- total governmental funds	\$	18,849
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**Amounts reported for governmental activities in
the statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements		48,182
Items reported as capital outlay that were not capitalized		(21,796)
Depreciation reported in the government-wide statements		(27,496)
Net book value of assets retired		(2,871)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(156)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued		(73,285)
Principal repaid		79,478

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(4,547)
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Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds.		(3,397)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

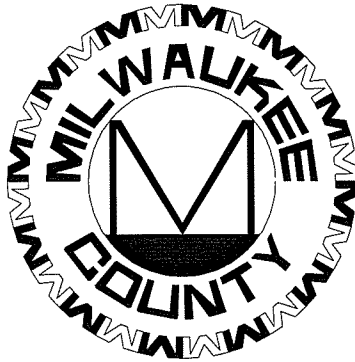
Accrued Interest Payable		(97)
Amortization of Bond Costs		(1,122)
Pension Obligations		(2,000)
Unfunded Claims and Judgments		(100)
Landfill Postclosure Costs		(2,079)
Compensated Absences		(3,752)
Change in net assets of governmental activities	\$	3,811

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 280,033	\$ 288,381	\$ 275,467	\$ (12,914)
Property Taxes	227,334	227,334	228,628	1,294
Charges for Services	206,998	216,361	213,361	(3,000)
Sales Taxes	62,431	62,431	61,646	(785)
Investment Income and Rents	9,690	9,690	7,657	(2,033)
Fines and Forfeits	3,189	2,769	2,823	54
Licenses and Permits	500	500	442	(58)
Other	29,193	29,431	30,205	774
Total Revenues	<u>819,368</u>	<u>836,897</u>	<u>820,229</u>	<u>(16,668)</u>
Expenditures:				
Current:				
Legislative, Executive and Staff	38,375	42,218	40,890	1,328
Courts and Judiciary	57,521	59,885	58,040	1,845
General Governmental Services	6,426	8,969	8,737	232
Public Safety	138,144	139,996	136,844	3,152
Public Works and Highways	18,752	18,428	16,571	1,857
Human Services	371,129	386,756	365,899	20,857
Parks, Recreation and Culture	57,192	57,832	56,035	1,797
Other	15,709	17,382	16,429	953
Total Expenditures	<u>703,248</u>	<u>731,466</u>	<u>699,445</u>	<u>32,021</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>116,120</u>	<u>105,431</u>	<u>120,784</u>	<u>15,353</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2005 Appropriations	(3,534)	(3,534)	(3,534)	-
Transfers In	-	-	23,294	23,294
Transfers Out	(106,370)	(95,681)	(130,348)	(34,667)
Transfers To Component Units	(6,216)	(6,216)	(6,216)	-
Total Other Financing Sources (Uses)	<u>(116,120)</u>	<u>(105,431)</u>	<u>(116,804)</u>	<u>(11,373)</u>
Net Change in Fund Balance	-	-	3,980	3,980
Fund Balances -- Beginning	8,984	8,984	8,984	-
Fund Balances -- Ending	<u>\$ 8,984</u>	<u>\$ 8,984</u>	<u>\$ 12,964</u>	<u>\$ 3,980</u>

The notes to the financial statement are an integral part of this statement.



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COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2005
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Assets					
Current Assets:					
Cash and Investments	\$ 29,614	\$ 6,560	\$ 25,733	\$ 61,907	\$ 17,941
Cash and Investments -- Restricted	43,493	-	-	43,493	-
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	8,093	11,435	166	19,694	532
Other	-	-	2,329	2,329	-
Due From Other Governments	-	-	4,853	4,853	280
Inventories	-	385	3,040	3,425	677
Prepaid Items	-	-	347	347	99
Other Assets	-	-	247	247	-
Total Current Assets	81,200	18,380	36,715	136,295	19,529
Capital Assets:					
Land	19,669	-	2,772	22,441	1,382
Construction in Progress	63,527	1,439	5,644	70,610	18,142
Land Improvements	116,418	1,626	6,058	124,102	10,922
Building and Improvements	229,515	36,245	58,159	323,919	92,340
Furniture, Vehicles and Equipment	7,768	4,691	151,160	163,619	68,364
Total Capital Assets	436,897	44,001	223,793	704,691	191,150
Less Accumulated Depreciation	(209,872)	(34,152)	(110,038)	(354,062)	(128,947)
Net Capital Assets	227,025	9,849	113,755	350,629	62,203
Total Assets	\$ 308,225	\$ 28,229	\$ 150,470	\$ 486,924	\$ 81,732
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 1,392	\$ 4,277	\$ 3,561	\$ 9,230	\$ 1,396
Accrued Liabilities	922	462	3,700	5,084	9,763
Due To Other Governments	-	3,066	-	3,066	-
Deferred Revenues	8,678	113	1,969	10,760	260
Bonds Payable-Current Portion	16,222	316	1,154	17,692	6,483
Compensated Absences	614	3,783	6,085	10,482	1,827
Other Liabilities	58	543	2,868	3,469	-
Total Current Liabilities	27,886	12,560	19,337	59,783	19,729
Long-Term Liabilities:					
Bonds Payable -- Long-Term	12,390	5,351	23,486	41,227	36,621
Bonds Payable -- Revenue Bonds	146,985	-	-	146,985	-
Compensated Absences	1,749	5,686	7,999	15,434	4,321
Accrued Pension and Postretirement Benefits	-	-	9,738	9,738	-
Total Long-Term Liabilities	161,124	11,037	41,223	213,384	40,942
Total Liabilities	189,010	23,597	60,560	273,167	60,671
Net Assets					
Unrestricted	24,754	450	795	25,999	1,962
Restricted for:					
Debt Service	10,328	-	-	10,328	-
Capital Asset Needs	3,414	-	-	3,414	-
Invested in Capital Assets, Net of Related Debt	80,719	4,182	89,115	174,016	19,099
Total Net Assets	119,215	4,632	89,910	213,757	21,061
Total Liabilities and Net Assets	\$ 308,225	\$ 28,229	\$ 150,470	\$ 486,924	\$ 81,732

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Operating Revenues:					
Charges for Services:					
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ -	\$ 47,777	\$ -	\$ 47,777	\$ -
Net Patient Service Revenues	-	47,777	-	47,777	-
Rentals and Other Service Fees	44,793	39	119	44,951	39,713
Admissions and Concessions	10,744	8	-	10,752	-
Transit Fares	-	-	42,854	42,854	-
Total Charges for Services	55,537	47,824	42,973	146,334	39,713
Other Revenues	62	12,046	4,815	16,923	728
Total Operating Revenues	55,599	59,870	47,788	163,257	40,441
Operating Expenses:					
Personnel Services	14,082	69,121	105,718	188,921	35,162
Contractual Services	12,200	8,914	23,051	44,165	12,525
Intra-County Services	9,207	3,792	793	13,792	2,683
Commodities	1,763	7,290	12,131	21,184	4,426
Depreciation and Amortization	13,751	730	13,083	27,564	8,237
Maintenance	549	151	1,015	1,715	1,024
Insurance and Claims	-	-	-	-	5,533
Client Payments	1,254	67,027	807	69,088	1,249
Total Operating Expenses	52,806	157,025	156,598	366,429	70,839
Operating Income (Loss)	2,793	(97,155)	(108,810)	(203,172)	(30,398)
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	312	61,136	79,133	140,581	710
Loss on Disposal of Capital Assets	-	-	-	-	(4,126)
Investment Income	1,001	-	-	1,001	-
Interest Expense	(6,088)	(208)	(1,025)	(7,321)	(1,494)
Total Nonoperating Revenues (Expenses)	(4,775)	60,928	78,108	134,261	(4,910)
Income (Loss) Before Contributions and Transfers	(1,982)	(36,227)	(30,702)	(68,911)	(35,308)
Capital Contributions	7,371	(826)	582	7,127	3,410
Transfers In	39	36,226	23,619	59,884	34,786
Transfers Out	(1,301)	(619)	(5,155)	(7,075)	(7,435)
Changes in Net Assets	4,127	(1,446)	(11,656)	(8,975)	(4,547)
Net Assets -- Beginning	115,088	6,078	101,566	222,732	25,608
Net Assets -- Ending	\$ 119,215	\$ 4,632	\$ 89,910	\$ 213,757	\$ 21,061

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Cash Flows Provided (Used) by Operating Activities:					
Receipts from Customers and Users	\$ 52,971	\$ 56,662	\$ 61,999	\$ 171,632	\$ 40,381
Payments to Suppliers	(15,050)	(80,136)	(39,765)	(134,951)	(25,404)
Payments to Employees	(14,076)	(69,708)	(106,858)	(190,642)	(36,535)
Payments for Interfund Services Used	(9,207)	(3,792)	(793)	(13,792)	(2,683)
Net Cash Flows Provided (Used) by Operating Activities	14,638	(96,974)	(85,417)	(167,753)	(24,241)
Cash Flows Provided (Used) by Noncapital Financing Activities:					
Intergovernmental Revenues	312	61,136	79,133	140,581	710
Transfers From Other Funds	39	36,226	23,619	59,884	34,786
Transfers (To) Other Funds	(1,301)	(1,445)	(5,155)	(7,901)	(7,435)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(950)	95,917	97,597	192,564	28,061
Cash Flows Provided (Used) by Capital and Related Financing Activities:					
Principal Payment on Bonds	(10,063)	(218)	(904)	(11,185)	(5,447)
Interest Paid on Bonds	(5,634)	(205)	(992)	(6,831)	(1,516)
Proceeds from Bonds	36,652	1,065	993	38,710	5,522
Acquisition of Capital Assets	(23,408)	(253)	(1,057)	(24,718)	(5,615)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(2,453)	389	(1,960)	(4,024)	(7,056)
Cash Flows Provided (Used) by Investing Activities:					
Investment Income	1,001	-	-	1,001	-
Net Cash Flows Provided (Used) by Investing Activities	1,001	-	-	1,001	-
Net Increase (Decrease) in Cash and Cash Equivalents	12,236	(668)	10,220	21,788	(3,236)
Cash and Cash Equivalents at Beginning of Year	60,871	7,228	15,513	83,612	21,177
Cash and Cash Equivalents at End of Year	\$ 73,107	\$ 6,560	\$ 25,733	\$ 105,400	\$ 17,941
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 2,793	\$ (97,155)	\$ (108,810)	\$ (203,172)	\$ (30,398)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:					
Depreciation and Amortization	13,751	730	13,083	27,564	8,237
(Increase) Decrease in Assets:					
Accounts Receivable	(4,494)	(5,351)	18	(9,827)	(11)
Other Receivables	-	(2)	180	178	-
Due From Other Governments	-	2,474	13,679	16,153	(58)
Inventories	-	30	(1,345)	(1,315)	195
Prepaid Items	-	-	(45)	(45)	11
Other Assets	-	-	(91)	(91)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	716	(84)	437	1,069	(842)
Accrued Liabilities	(1,086)	(5,824)	(4,519)	(11,429)	(4,426)
Due To Other Governments	(40)	3,066	-	3,026	-
Deferred Revenues	1,868	(329)	425	1,964	(2)
Compensated Absences	1,092	5,237	3,379	9,708	3,053
Other Liabilities	38	234	(1,808)	(1,536)	-
Total Adjustments	11,845	181	23,393	35,419	6,157
Net Cash Flows Provided (Used) by Operating Activities	\$ 14,638	\$ (96,974)	\$ (85,417)	\$ (167,753)	\$ (24,241)
Noncash investing, financing, and related activities:					
Capital assets contributed from/(to) the general government	\$ 7,371	\$ -	\$ 582	\$ 7,953	\$ 3,484

The notes to the financial statement are an integral part of this statement.



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COUNTY OF MILWAUKEE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005
(In Thousands)

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and Investments:		
US Government Securities	\$ 58,113	\$ -
Notes and Bonds	495,958	-
Federal Agency and Mortgage	46,208	-
Real Estate Investments Trust	59,304	-
Common and Preferred Stocks	834,802	-
Venture Capital Investments	20,094	-
Deposits	8,704	23,524
Total Cash and Investments	<u>1,523,183</u>	<u>23,524</u>
Receivables:		
Pension Trust Fund Contribution	35,738	-
Accrued Interest and Dividends	6,245	-
Other	5,357	-
Securities Lending	<u>126,947</u>	<u>-</u>
Total Assets	<u>1,697,470</u>	<u>23,524</u>
<u>Liabilities</u>		
Accounts Payable	-	1,144
Agency Deposits	-	22,380
Securities Lending	126,947	-
Other Liabilities	10,746	-
Total Liabilities	<u>137,693</u>	<u>23,524</u>
<u>Net Assets</u>		
Held in Trust for Pension Benefits	<u>\$ 1,559,777</u>	<u>\$ -</u>

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended December 31, 2005
(In Thousands)

	<u>Total</u>
Additions:	
Contributions:	
County of Milwaukee	\$ 35,415
Plan Participants	<u>361</u>
	<u>35,776</u>
Investment Income	
Net Appreciation in Fair Value	96,871
Interest and Dividends	30,461
Other Income	879
Total Investment Income	<u>128,211</u>
Security Lending Income	4,140
Less: Security Lending Rebates and Fees	<u>(3,822)</u>
Net Security Lending Activity	<u>318</u>
Investment Expense	<u>(4,138)</u>
Net Investment Income	<u>124,391</u>
Total Additions	<u>160,167</u>
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(148,308)
Administrative Expenses	(2,157)
Withdrawal of Membership Accounts	(37)
Total Deductions	<u>(150,502)</u>
Change In Plan Net Assets	9,665
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	<u>1,550,112</u>
End of Year	<u><u>\$ 1,559,777</u></u>

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Combining Statement of Net Assets
Component Units
December 31, 2005
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
<u>Assets</u>					
Current Assets:					
Cash and Investments	\$ 1,676	\$ 69	\$ 193	\$ 1,370	\$ 3,308
Accounts Receivable	480	-	1,025	107	1,612
Inventories	109	-	-	-	109
Prepaid Items	210	-	2	6	218
Total Current Assets	<u>2,475</u>	<u>69</u>	<u>1,220</u>	<u>1,483</u>	<u>5,247</u>
Noncurrent Assets:					
Contributions Receivable	34	-	-	-	34
Capital Assets (Net of Accumulated Depreciation)	21,561	-	2,810	-	24,371
Other	728	-	167	452	1,347
Total Other Assets	<u>22,323</u>	<u>-</u>	<u>2,977</u>	<u>452</u>	<u>25,752</u>
Total Assets	<u>\$ 24,798</u>	<u>\$ 69</u>	<u>\$ 4,197</u>	<u>\$ 1,935</u>	<u>\$ 30,999</u>
<u>Liabilities</u>					
Current Liabilities:					
Accounts Payable	\$ 2,350	\$ -	\$ 641	\$ 185	\$ 3,176
Accrued Liabilities	1,117	-	380	3	1,500
Accrued Interest Payable	69	-	-	-	69
Deferred Revenues	764	-	73	6	843
Notes Payable	100	-	232	74	406
Other Liabilities	228	-	-	90	318
Total Current Liabilities	<u>4,628</u>	<u>-</u>	<u>1,326</u>	<u>358</u>	<u>6,312</u>
Noncurrent Liabilities:					
Capital Leases -- Long-term	651	-	-	-	651
Accrued Pension and Postretirement Benefits	7,712	-	-	-	7,712
Bonds and Financing Charges Payable	19,967	-	2,885	157	23,009
Total Noncurrent Liabilities	<u>28,330</u>	<u>-</u>	<u>2,885</u>	<u>157</u>	<u>31,372</u>
Total Liabilities	<u>32,958</u>	<u>-</u>	<u>4,211</u>	<u>515</u>	<u>37,684</u>
<u>Net Assets</u>					
Unrestricted	(12,171)	33	293	1,316	(10,529)
Restricted	3,168	36	-	104	3,308
Invested in Capital Assets, Net of Related Debt	843	-	(307)	-	536
Total Net Assets	<u>(8,160)</u>	<u>69</u>	<u>(14)</u>	<u>1,420</u>	<u>(6,685)</u>
Total Liabilities and Net Assets	<u>\$ 24,798</u>	<u>\$ 69</u>	<u>\$ 4,197</u>	<u>\$ 1,935</u>	<u>\$ 30,999</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2005
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 217	\$ -	\$ 15,129	\$ -	\$ 15,346
Interest on Investments and Rents	2,459	2,079	-	73	4,611
County Program Support	3,381	2,858	-	-	6,239
Charges for Services:					
Contributions and memberships	4,819	127	51	743	5,740
Other	2,737	1,883	67	-	4,687
Other	1,894	98	-	-	1,992
Total Revenues	<u>15,507</u>	<u>7,045</u>	<u>15,247</u>	<u>816</u>	<u>38,615</u>
Expenses:					
Human Services	-	-	15,399	-	15,399
Public Works and Highways	-	-	-	1,452	1,452
Parks, Recreation and Culture	26,267	7,022	-	-	33,289
Total Expenses	<u>26,267</u>	<u>7,022</u>	<u>15,399</u>	<u>1,452</u>	<u>50,140</u>
Changes in Net Assets	(10,760)	23	(152)	(636)	(11,525)
Net Assets -- Beginning	2,600	46	138	2,056	4,840
Net Assets -- Ending	<u>\$ (8,160)</u>	<u>\$ 69</u>	<u>\$ (14)</u>	<u>\$ 1,420</u>	<u>\$ (6,685)</u>

The notes to the financial statements are an integral part of this statement.



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Milwaukee County
Notes to the Financial Statements
December 31, 2005
(Amounts Expressed in Thousands)

Note 1-Summary of Significant Accounting Policies

The County of Milwaukee, Wisconsin (the "County") incorporated in 1835, is a governmental entity established by laws of the State of Wisconsin and has the power of a body corporate, as defined by s. 59.01 of the statutes of the State of Wisconsin. The Board of County Supervisors (the "Board") governs the County. The Board consists of nineteen members who are elected by the citizens of Milwaukee County. The County also elects seven principal officials who are the County Executive, the County Treasurer, the District Attorney, the County Clerk, the Clerk of Courts, the Sheriff and the Register of Deeds.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In 2005, the County adopted Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures- an amendment of GASB Statement No. 3". This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Adopting GASB Statement No. 40 did not have an impact on the County's financial statements for the year ended December 31, 2005, but it does require additional disclosures (See Note 3) related to deposits and investment risks.

Also in 2005, the County adopted Governmental Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting

Note 1-Summary of Significant Accounting Policies (Continued)

requirements for insurance recoveries. Adopting GASB Statement No. 42 did not have a significant impact on the County's financial statements for the year ended December 31, 2005.

A. The Reporting Entity

The County complies with the provisions of GASB Statement No. 14 and GASB Statement No. 39 in defining the reporting entity and its component units. As defined by GASB Statement No. 14, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable for the organization if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. In addition, GASB Statement No. 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government, or its component units, is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

As required by generally accepted accounting principles (GAAP) and based on the criteria stated in the above paragraph, the financial statements of the reporting entity include those of Milwaukee County, the primary government, and its four major component units, which are discretely presented.

Component Units

There are two ways to report component units; blended component units and discretely presented component units. Blended component units are legally separate entities that are in substance part of government operations, as they either have governing bodies that are substantively the same as the board or

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

they provide their services exclusively or almost exclusively to the government. There are no blended component units reported by Milwaukee County.

Discretely presented component units are legally separate entities, which do not meet the criteria for blending. Discretely presented component units are presented as a separate column in the government-wide financial statements and individually in the combining statements for component units in the fund financial statements to emphasize that they are legally separate. As stated above, the County has four major discretely presented component units, which are described below.

The Milwaukee County War Memorial Center, Inc ("The Center") is a non-profit organization organized to operate and maintain the War Memorial Center, the Charles Allis/Villa Terrace Art Museums, and the Marcus Center for the Performing Arts. The Center also provides services to the Milwaukee Art Museum. The governing board of the Center consists of fifteen members who oversee the day-to-day operations. The County Executive appoints four board members. The Board of County Supervisors appoints four other board members. The War Memorial Center is presented as a discretely presented component unit of the County because the County appoints the voting majority of the Center's governing body and therefore has the ability to impose its will on the Center and because the County provides the majority of the Center's financial support it has the ability to impose specific financial burdens on the County. The Center has a December 31st year-end.

The Milwaukee Public Museum, Inc ("The Museum"), is a non-profit natural history museum, whose purpose is to preserve and protect the collections of the museum and to educate the public through exhibits and research into natural history. The governing body of the Museum consists of a twenty-seven member Board of Directors who oversees the day-to-day operations. The Museum Board appoints 18 members, the County Executive appoints five members, and the County Board Chairman appoints four members. The Museum is presented as a discretely presented component unit of the County because the County owns the majority of the economic resources available to the Museum (the building and the artifacts) and because the County provides a significant amount of financial support to the Museum, the Museum has the ability to impose specific financial burdens on the County. The Museum has a fiscal year ending August 31st.

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Component Units (Continued)

The Private Industry Council of Milwaukee County Inc., A Workforce Development Board, (“The PIC”), is a workforce development board that is a public/private partnership between government and business that plans, administers, and coordinates employment and training programs for adults and youth in Milwaukee County. The County Executive appoints the thirty-two-member board of directors, which is comprised of representatives from various segments of business, education, labor, and community-based organizations. A majority of the board members must be from the private sector. The PIC is presented as a discretely presented component unit because the County appoints all of the members of the governing body and therefore has the ability to impose its will on the PIC and because the economic resources held by the PIC are accessible to the County and benefit the County’s constituents. The PIC has a fiscal year ending June 30th.

The Milwaukee County Research Park Corporation, (“The Corporation”) is a non-stock, non-profit organization whose purpose is to advance the economic and social interest of the community. The Corporation was formed solely for the purpose of developing a research and technology park on parts of the Milwaukee County Institution Grounds that are not required for medical or health institution purposes. The governing body of the Corporation consists of a fifteen-member board. The County Executive appoints ten of the members and the County Board Chairman appoints five members. The Corporation is presented as a discretely presented component unit because the County appoints all of the members of the governing board and therefore has the ability to impose its will on the Corporation and because the economic resources held by the Corporation were contributed to the Research Park by the County for the direct benefit of the County and its constituents. The Corporation has a fiscal year ending December 31st.

Complete financial statements for each of the individual component units may be obtained at the entity’s administrative offices listed below.

Milwaukee County War Memorial Center
750 North Lincoln Memorial Drive
Milwaukee, WI 53202

Milwaukee Public Museum, Inc
800 West Wells Street
Milwaukee, WI 53233

The Private Industry Council of
Milwaukee County
2338 N. 27th Street
Milwaukee, WI 53210

Milwaukee County Research
Park Corporation
10437 Innovation Drive
Wauwatosa, WI 53226

Note 1-Summary of Significant Accounting Policies (Continued)

A. The Reporting Entity (Continued)

Related Organizations

The County Executive of the County is responsible for appointing the members of the board of the following organization, but the County's accountability for this organization does not extend beyond making the appointments.

Milwaukee County Federated Library System- The County Executive appoints the seven-member board. One board member is required to be a county board supervisor. Created according to state statute s. 43.15, it is a co-operative of the fifteen public libraries within Milwaukee County, who allow cross border borrowing, in exchange for technological services.

B. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

and other items not properly included among program revenues are reported instead as general revenues. The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds, proprietary funds, component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County applies GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," when accounting for and reporting intergovernmental revenue transactions. The governmental fund financial statements report these revenues when entitlements to those resources have occurred and all grant requirements have been met. In the government-wide and proprietary fund financial statements these revenues are recognized when entitlement to the resources have occurred and grant requirements have been met, regardless of the timing of the revenues. State shared revenues are recognized as revenues in the governmental funds when the County is entitled to these funds. Intergovernmental grants received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the County, are recognized as non-operating revenues in the accounting period in which they are earned. Intergovernmental grants restricted for the acquisition or construction of capital assets in the proprietary funds are recorded as a component of income.

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers inter-governmental revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes, intergovernmental revenues, sales taxes, investment income, rents, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures and all other revenue items are considered to be measurable and available only when the county receives cash. Uncollected property taxes of municipalities within the County are purchased and then collected by the County. There is no recourse to the municipalities for the collection of these taxes. The County uses a seven-month availability period for these receivables of approximately \$ 6.6 million.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In

Note 1-Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The enterprise fund activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Proprietary fund operating expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt is recorded as a liability in the fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Fiduciary Funds

The County uses fiduciary funds to account for assets held in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and therefore do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

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Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

The County has presented the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund accounts for the resources segregated for the acquisition or construction of major capital facilities.

The County has presented the following major proprietary funds:

The Airports Fund accounts for the operations of General Mitchell International and Timmerman Airports. Airport passenger facility charges and related capital expenditures are not accounted for in the airport's enterprise fund but are accounted for as a special revenue fund.

Behavioral Health Fund accounts for the operation and activities of behavioral health services that provides care and treatment to emotionally and mentally ill adults, children and adolescents on an outpatient, partial hospitalization and inpatient basis.

The Transit System Fund accounts for the activities of the Milwaukee County Transit System and the Paratransit System. The Transit System provides public transportation in the Milwaukee metropolitan area and is managed by Milwaukee Transit Services, Inc.; a private non-profit corporation. The Paratransit System is also operated by Milwaukee Transport Services, Inc., to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements.

The County has presented the following non-major funds and other fund types:

Special Revenue Funds account for endowments, bequests and restricted donations to the County and passenger facility charges of the Airport, where the principal may be expended in the course of their designated operations. The specific purpose of each fund is as follows:

Zoo- Purchase of animals and maintenance of the miniature passenger railroad.

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Parks- Enhancement of the Todd Wehr Nature Center and maintenance of parks and pathways.

Persons with Disabilities- Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division- Mental health research, patient activities and special events.

Airport PFC- (Passenger Facility Charge)-collection of Federal Aviation Administration (FAA) approved passenger charges for capital projects at the Airport.

Health and Safety- established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds costs associated with new employee screenings.

Internal Service Funds account for services provided to other departments and agencies of the government. Information Management Services, Public Works Services, and Risk Management are the County's internal service funds.

The Pension Trust Fund accounts for activities of the Employees' Retirement System and OBRA 1990 Retirement System of the County of Milwaukee. This fund accumulates resources for pension benefit payments to qualified Milwaukee County employees. Substantially all full and part-time employees of the County participate in these single-employer defined benefit plans.

Agency Funds are custodial in nature and are used to account for resources held by the County as an agent for individuals, private organizations and other governmental units. The significant agency fund within the County is the Civil Court-ordered Family Support/ Payments.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

To facilitate cash management of the County's resources, cash and investments are pooled in common accounts. All cash and investments pooled in common accounts are considered cash equivalents for the purposes of the statements of cash flows. The cash and investment balance in each fund, except for certain Special Revenue, and Agency Funds, and certain cash accounts of the Airport Fund and Transit Fund represent the equity in these pooled resources. Substantially all of the deposits and investments of the Agency Funds are

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

held separately from those of other County funds. The Airport Fund holds certain reserves under Revenue Bond restrictions separately. A portion of cash and investments in the Transit Fund are held in a separate account with Milwaukee County Transport Services, a non-profit corporation. The resources of the Special Revenue and Agency funds are restricted and are not available to the County to finance its operations.

Statutes authorize the County to invest in State-authorized financial institution time deposits that mature in not more than three years, bonds or securities issued or guaranteed as to principal and interest by the Federal government, bonds or securities of any municipality of the State, securities that mature not more than ten years from the date on which the security was acquired and which has a rating in one of the two highest categories assigned by a nationally-recognized rating agency, repurchase agreements secured by funds or securities issued or guaranteed as to principal and interest by the Federal government, and local government pooled investment funds. In addition, the Pension Board, as administrator of the Pension Trust Fund, is authorized to invest in all types of investments deemed appropriate.

All investments are stated at fair value including investments in the Pension Trust fund.

2. Receivables

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Milwaukee County has no "Advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

Amounts due from private individuals, organizations or other governments, which pertain to charges for services rendered by County departments are reported as accounts receivable. Receivables are reviewed periodically to establish or update the allowance for doubtful amounts. All trade receivables for the Business-type funds are shown net of an allowance for uncollectibles.

Property tax receivables represent the taxes levied on or before December 31; the lien date. Taxes are recognized in the governmental funds as revenue in the year when they are available to finance county services. Since these property

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables (Continued)

tax receivables are not available for the current fiscal year, they are fully reflected as deferred revenues.

Property taxes are levied based on the equalized value, which is computed from January 1, the assessment date, of all general property located in the County. The equalized value excludes tax incremental financing districts. The taxes are due on the last day of January but may be paid in two or more installments, depending on local ordinance.

Delinquent property tax receivable is comprised of the unpaid property taxes the County purchases from other taxing authorities, except the City of Milwaukee, to facilitate the collection of taxes. The purchases are a financing arrangement and are reflected as a reservation of fund balance at year-end for amounts considered unavailable. The County's portion of uncollected property taxes within the boundaries of the City of Milwaukee is sold, at the unpaid balance, to the City each year.

Interest is earned on investments and delinquent property taxes. Accrued interest at the end of the year on delinquent taxes, that is not collectable within sixty days are reflected as deferred revenue in the governmental funds.

3. Inventory and Prepaid Items

Inventories are valued at average cost or current cost, which approximates the first-in/first-out (FIFO) method. Inventories in the governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the 2000, 2003, 2004, and 2005 Airport enterprise fund revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As stated earlier (see item 1 under section D in the notes), the Special Revenue and Agency funds are also restricted resources and are not available to the County to finance its operations. The Airport Revenue Bond Interest and

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Restricted Assets (Continued)

Principal Account is used to segregate resources accumulated for the semi-annual debt service payments. The Airport Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up for any future deficiencies that may occur in the Airport Revenue Bond Principal and Interest Account. In addition, the Airport Revenue Bonds require that fund equity be reserved for Debt Coverage, and Operations and Maintenance Reserves. The Debt Coverage Reserve Account and the Operations and Maintenance Reserve Account are used to report resources set aside to subsidize potential deficiencies from the Airport operation that could adversely affect debt service payments. When both restricted and unrestricted resources are available to make certain payments, the County uses unrestricted resources to liquidate payments.

In addition, at the end of 2005, the Airport had \$ 29,291 of 2004 and 2005 revenue bond proceeds that was unspent, and for purposes of this report, are considered restricted.

In addition, the County has restricted \$ 5,200 of contributed assets for a \$ 14,400 debt guarantee made by the County on behalf of a local company.

The County provided the guarantee in return for a mortgage on specific assets of the company plus \$ 5,000 of cash provided by the company and the State of Wisconsin. These funds act as a debt reserve, and are included in the Airport PFC's special revenue fund.

Under a contract agreement between the State of Wisconsin Department of Health and Family Services and the County's Department on Aging Care Management Organization, the County is required to restrict cash of \$ 2,250. This restricted cash is for both a restricted reserve and a solvency reserve under the contract.

5. Capital Assets

Government-wide Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, drainage, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$ 2,500 (two thousand five

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Government-wide Statements (Continued)

hundred dollars) and an estimated useful life in excess of one year. The exception to this is for purchases of data processing equipment in which the initial individual cost has to be more than \$ 1,000 (one thousand dollars). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets received as gifts or donations are recorded at estimated fair market value at the time of receipt.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized at cost when purchased or constructed and updated for the cost of additions and retirements during the year.

Property, plant, equipment, and infrastructure of the primary government and its component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Land Improvements	20-25
Vehicles	5-12
Office Equipment	5-10
Building Improvements	20
Infrastructure	20
Computer Equipment	5

The County owns a collection of zoo animals and a collection of museum historical artifacts. The County's collection of zoo animals and museum historical artifacts meet the definition of a capital asset and normally should be capitalized and reported in the financial statements. However, the requirement of capitalization is waived for collections meeting all of the following conditions, 1) the collection is held for reasons other than financial gain. 2) The collection is protected, kept unencumbered, cared for, and preserved. 3) The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Government-wide Statements (Continued)

With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$ 1 (one dollar), as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the County shares animals with other organizations. Consistent with industry practice, the County does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

The County has elected not to capitalize the collection of museum historical artifacts because these assets meet the criteria stated above that qualify the collections for exemption from the capitalization requirement.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

County employees are granted sick and annual vacation leave in varying amounts in accordance with administrative policies and union contracts. County employees are requested to use all accumulated vacation time earned before the end of the subsequent calendar year. In the event of termination or retirement, the employees are paid for accumulated vacation days.

Generally, accumulated sick pay is forfeited upon termination other than retirement. When an employee retires, accumulated sick leave benefits vest. Most represented employees are entitled to full payment for accumulated sick pay upon retirement. Non-represented employees who retire are entitled to payment for accumulated sick leave up to a maximum of 400 hours plus 16 hours per 100 hours, or fraction thereof, of accrued sick leave in excess of the 400 hours, instead of full payment for all accumulated sick leave. Payments for sick

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Compensated Absences (Continued)

pay benefits for retirement were approximately \$ 13,214 in 2004 and \$ 1,248 in 2005.

Amounts of vacation and sick pay earned and vested by employees have been accrued in the government-wide and proprietary fund financial statements. The short-term portions of compensated absences are classified as current liabilities. For the business-type activities and governmental activities the short-term portion is \$ 10,482 and \$ 22,038, respectively. The long-term portion of compensated absences, generally for sick leave payable upon retirement, is classified as compensated absences. Amounts paid to employees in the governmental fund types within 60 days of year-end have been recorded in the governmental funds.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Gains and losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and gains or losses, as applicable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The 1993 Refunding Bonds included zero coupon bonds, which were sold at a deep discount. These zero coupon bonds mature in the last three years of the bond issue beginning in 2009. The discount on the 1993 zero coupon bonds are amortized as accretion (interest expense) over the life of the bonds in the government-wide and in the proprietary fund type financial statements.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets- Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicated it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Statutes of the State of Wisconsin require that the surplus/deficit of all departments of the County be determined in accordance with GAAP based on fund financial statements. The amount of any surplus/deficit of the current year is reserved by County Ordinance 32.91(4) a (4) and is used to reduce/increase property tax levy in the subsequent budget period.

The Board of Supervisors may by two-thirds vote, adopt a resolution prior to the adoption of the tax levy authorizing the use of the surplus in whole

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Equity Classifications (Continued)

Fund Statements (Continued)

retire outstanding general obligation bonds of the County. The Board of Supervisors may also by two-thirds vote adopt a resolution authorizing the surplus to be used to provide funds for emergency needs, as defined under the Statutes. The surplus cannot be used for any other purposes except those stated above.

9. Allowance for Doubtful Accounts

The County's Behavioral Health Fund provides an allowance for all third-party payers such as Medicare, Medicaid, HMO's, and other types of health insurance. For all third-party payers a contractual revenue adjustment is accrued in the current year of operations for the difference between billed charges and expected reimbursement. In as much as the adjustment is an estimate, any difference between the amount accrued and the amount settled is recorded in operations in the year of settlement. At December 31, 2005, this allowance was \$ 5,915. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2005. All allowances are netted against receivables for financial statement presentation.

10. Capitalization of Interest

Interest is capitalized on business-type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During 2005, the amount of capitalized interest was \$ 1,600.

11. Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the "revenue reduction" approach in accounting for rebateable arbitrage. This approach treats excess earnings as a reduction of revenue. The liability for rebateable arbitrage was \$ 702 as of December 31, 2005 and is recorded in the Debt Service Fund.

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

12. Landfill Post-Closure Costs

Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and post-closure costs are recognized in the governmental activities.

13. Capital Contributions

The capital contributions accounted for in the proprietary fund types represent contributions from other funds and state and federal grant programs. The contributions amount is reported after non-operating revenues and expenses on the statement of revenues, expenses, and changes in fund net assets in accordance with GASB Statement 33.

14. Deferred Revenues

Deferred revenues reported in the government-wide and proprietary financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

15. Pension Obligations

Pension expenditures of governmental fund types are recognized on the modified accrual basis; which means that the amount of pension expense recognized is equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. In the government-wide and proprietary financial statements, pension expense is recognized on the accrual basis; which means that the amount recognized in the current period is equal to annual pension cost. The pension obligation/asset represents the difference between the annual required contribution plus interest net of payments.

16. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds

Note 1-Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

16. Encumbrances (Continued)

are recorded as reservation of fund balance until expended. Encumbrances are not reflected as expenditures. Encumbrance appropriations are recorded as reservations of fund balance and are liquidated in subsequent years. Every appropriation lapses at December 31, to the extent that it has not been expended or encumbered. Expenditures are recorded and encumbrances are liquidated when the services or materials are received.

17. Claims and Judgments

Claims and judgments are recorded as liabilities when the conditions of Statement of Financial Accounting Standards No. 5 have been met. Claims and judgments are liquidated with expendable available financial resources and are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Note 2- Stewardship, Compliance, and Accountability

Budgetary Information

All County departments are required to submit their annual budget requests for the ensuing year to the County Executive by June 15. The Department of Administration, acting as staff for the County Executive, reviews the requests in detail with the departments during June, July and August. After all of the requests have been reviewed, the County Executive submits his proposed Executive Budget to the Board of Supervisors. County Ordinance requires that this be done on or before October 1. The Board of Supervisors must complete its review and adopt the budget on or before the first Tuesday after the second Monday in November.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting, except for the treatment of the fund balance- reserve for 2005 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2005 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

Note 2- Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

The Board of Supervisors legally adopts annual budgets for the general, debt service, capital projects, enterprise and internal service funds. The legal level of budgetary control is by department. For budget purposes, the Debt Service and Capital Projects Funds are considered departments. Once the budget is adopted, transfers of appropriations among departments require approval by the board of supervisors and are permitted only during the last three months of the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus earned, as defined by resolution adopted by a vote of two-thirds of the members of the board of supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the board of supervisors. During the 2005 fiscal year, the Board of Supervisors adopted no supplemental appropriations.

Budgetary Basis of Accounting

The "Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis)- General Fund " is prepared on a basis consistent with the legally adopted budget. Under this method, encumbrances outstanding are charged to budgetary appropriations and considered as expenditures of the current period. In addition, Fund Balance Reserved for 2005 Appropriations is available for financial expenditures and is reflected as other financing sources (uses). The "Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds" is prepared on a basis consistent with GAAP. Under this method, encumbrances are considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received. Encumbrance amounts at year-end are reflected as a component of the Fund Balance titled "Fund Balance (Deficit) Reserved for Encumbrances". A reconciliation for the General Fund follows:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 698,125	\$ (107,054)
Encumbrances	7,536	-
Reserved for 2005 Appropriation	-	(3,534)
Transfers to Component Units	(6,216)	(6,216)
Non-GAAP Budgetary Basis	<u>\$ 699,445</u>	<u>\$ (116,804)</u>

Appropriations lapse at year-end except for capital projects, which are carried forward to the subsequent year.

Note 2- Stewardship, Compliance, and Accountability (Continued)

County Tax Rate Limit (Amounts Expressed in Dollars)

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. Separate limits were imposed for operating levy rates and debt service levy rates of \$ 4.08 per \$ 1,000 of equalized value and \$ 1.42 per \$ 1,000 of equalized value, respectively. For 2005, the County's actual operating and debt service levy rates were \$ 3.81 per \$ 1,000 of equalized value and \$.73 per \$ 1,000 of equalized value, respectively.

Note 3- Deposits and Investments

The majority of the deposits and investments of the Primary Government, excluding the Pension Trust Fund, are maintained in a pool of cash and investments in which each fund participates on a dollar equivalent basis. Interest is distributed monthly to certain trust and funds, which have been designated as interest earning funds. The remaining investment earnings are provided as an offset to costs for the government as a whole. A "zero balance account" mechanism provides for the sweep of deposits made to bank accounts and the payment for checks presented against accounts. The Primary Government, excluding the Pension Trust, then makes a decision to either transfer funds to an investment manager for the purchase of government securities, or to maintain the funds in the financial institution. Funds sent to the investment manager are used to purchase investments that meet the County's investment policy and State Statute requirements. The net funds maintained at the financial institution will earn a guaranteed rate of return set to the current market LIBOR rates. The funds maintained at the financial institution are secured by collateral in the County's name at a Federal Reserve Bank.

The following information presents the deposits and investments of the Primary Government, excluding the pension trust fund. The pension trust fund is presented at the end of the footnote, and will be designated as "Pension Trust Fund".

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Note 3- Deposits and Investments (Continued)

Reconciliation of Cash and Investments:

Statement of Net Assets:

Cash and Investments	\$ 153,261
Cash and Investments- Restricted	79,898
Subtotal	233,159

Statement of Fiduciary Net Assets:

Cash and Investments	
Pension Trust Fund	1,523,183
Agency Fund	23,524
Total	\$1,779,866

Deposits	\$ 87,473
Investments	169,210
Pension Deposits	8,704
Pension Investments	1,514,479
Total	\$1,779,866

Cash Deposits

The carrying amount of the County's deposits at December 31, 2005 was \$ 87,473 and the bank balance was \$ 94,957.

Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to cover collateral securities that are in the possession of an outside entity. Deposits with banks are insured by the FDIC in the amount of \$ 100 and by the State Deposit Guarantee Fund in the amount of \$ 400. The County does not have a deposit policy for custodial credit risk. Of the \$ 94,957 deposits with financial institutions, \$ 4,516 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund, \$ 70,096 was collateralized with government securities held in a separate financial institution in the County's name, and \$ 20,345 was uninsured and uncollateralized and is exposed to custodial credit risk.

Investments

The County's investment policy applies to all financial assets held or controlled by Milwaukee County, other than pension fund assets, consistent with the intent of State of Wisconsin Statutes (S.66.0603(1m)) and Milwaukee County Ordinance.

Note 3- Deposits and Investments (Continued)

Investments (Continued)

The primary objectives of the County's Statement of Investment Policies is to preserve and protect investment principal, maximize the return on the investment portfolio, and to avoid assuming unreasonable investment risk. The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and liquidity needs. The County's investment portfolio will remain sufficiently liquid to enable the County to meet reasonably anticipated day-to-day operating requirements. The County will employ mechanisms to control risk and diversify its investments with respect to specific security types or individual security issuers.

As of December 31, 2005 the County had the following investments:

Investment Type	Fair Value
Government Guaranteed Adjustable Rate Securities	\$ 3,399
Government Agency Guaranteed Adjustable Rate Securities	133,098
AAA Municipal Bonds	5,045
Guaranteed Investment Contracts	7,599
Mutual Funds	6,602
Money Market/Cash Equivalents	12,465
Corporate Bonds	1,002
Total	\$ <u>169,210</u>

Custodial Credit Risk-Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are held by the counterparty's trust department or with its agent in the County's name. The County's investment policy states that all securities shall be properly designated as an asset of Milwaukee County and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government of the State of Wisconsin and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the County Treasurer or a designee. The County does not have any investments exposed to custodial credit risk.

Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the Wisconsin State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. For adjustable rate securities, the time to coupon reset is used as the effective maturity period.

As of December 31, 2005, the County had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Government Guaranteed Adjustable Rate Securities	\$ 3,399	\$ 3,399	\$ -	\$ -	-
Government Agency Guaranteed Adjustable Rate Securities	133,098	63,784	69,314	-	-
AAA Municipal Bonds	5,045	-	4,001	1,044	-
Guaranteed Investment Contracts	7,599	-	-	-	7,599
Money Market/Cash Equivalents	12,465	12,465	-	-	-
Corporate Bonds	1,002	-	1,002	-	-
Totals	\$ 162,608	\$ 79,648	\$ 74,317	\$ 1,044	\$ 7,599

The mutual funds with a fair value of \$ 6,602 at December 31, 2005 have an average maturity of nine days.

Credit Risk-Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality rating of a security (rated by Moody's Investor Service or Standard & Poor's) gives an indication of the degree of credit risk for that security. Listed below are the County's investments with the corresponding credit quality ratings: The County does not have an investment policy pertaining to credit risk.

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Note 3- Deposits and Investments (Continued)

Credit Risk-Investments (Continued)

Investment Type	Fair Value	Standard & Poor's	Moody's Investor Service
Government Guaranteed Adjustable Rate Securities	\$ 3,399	AAA	AAA
Government Agency Guaranteed Adjustable Rate Securities	133,098	AAA	AAA
AAA Municipal Bonds	5,045	AAA	AAA
Guaranteed Investment Contracts	7,599	N/A	N/A
Mutual Funds	6,602	AAA	AAA
Money Market/Cash Equivalents	12,465	N/A	N/A
Corporate Bonds	1,002	AAA	AAA
Total	\$ 169,210		

Concentration of Credit Risk-Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County's written investment policy states that investments held by the County shall be diversified to control the risk of loss resulting from over concentration of investments in a specific maturity, issuer, instrument/and or class of instrument(s), and dealers through whom securities are brought and sold. The County's written investment policy also places limits on the percentage of the portfolio that may be invested in each type of investment. The following percentage ranges of portfolio investments apply to the investment categories currently allowed by Wisconsin Statute:

- Time and other Money Market deposits of banks, savings banks, trust companies, savings and loans, credit unions, regulated by the Securities and Exchange Commission 0-50%
- U. S. Treasury and Other Federal agency/instrumentality securities 0-100%
- Corporate securities, including commercial paper 0-25%
- Municipal securities 0-25%
- Local Government Pooled Investment Fund of the State Investment Board 0-50%
- Repurchase agreements with public depository institutions (only) and where specific and appropriate collateral is provided 0-50%
- Securities of an open-end management investment company or investment trust, investing in statutorily allowed securities 0-25%
- All other security types, when and if authorized in the future by amendment to Wisconsin statute 0-25%

Note: It is understood that on an occasional and short-term basis, usually less than a month, it may be necessary to exceed the 50% maximum investment, per

Note 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments (Continued)

institution in the Local Governmental Pooled Investment Fund of the State Investment Fund.

The County's investment policy also limits the use of reverse repurchase agreements to transactions with commercial banks located in the State of Wisconsin to a period of time on longer than 14 days. The County enters into reverse repurchase agreements for cash flow purposes only.

At December 31, 2005, the County is not exposed to concentration of credit risk.

Cash Deposits-Pension Trust Fund

The carrying amount of Pension Trust Fund deposits at December 31, 2005 was \$ 8,704 and the bank balance was \$ 11,525.

Custodial Credit Risk Deposits-Pension Trust Fund

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pension Trust Fund will not be able to recover the value of its deposits. Deposits with banks are insured by the FDIC in the amount \$ 100 and in the amount of \$ 400 by the State Deposit Guarantee Fund. Deposits in excess of \$ 500 are uninsured and uncollateralized. As of December 31, 2005, the Pension Trust Fund was exposed to custodial credit risk for the uncollateralized deposits with banks that were not covered by federal depository insurance. Subsequent to year-end, deposits with banks were reduced to less than \$ 500. All deposits with banks are currently fully insured and no longer exposed to custodial credit risk. The Pension Trust Fund does not have a formal policy pertaining to custodial credit risk.

Investments-Pension Trust Fund

The Pension Board has exclusive control and management responsibility of the Pension Trust Funds and full power to invest the funds. In exercising its fiduciary responsibility, the Board is governed by the "prudent person" rule in establishing investment policy. The "prudent person" rule, requires the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income as well as the probable safety of the principal.

Note 3- Deposits and Investments (Continued)

Investments-Pension Trust Fund (Continued)

Investments in primarily stocks, bonds, certain government loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximated fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the Pension Trust Fund's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method.

As of December 31, 2005 the Pension Trust Fund had the following investments:

Investment Type	Fair Value
Domestic Common and preferred stocks	\$ 570,615
Corporate Bonds	460,758
International Common and preferred stocks	264,187
Federal Agency and Mortgage-Backed Certificates	46,208
International Fixed Income	35,200
US Government, State Obligations	58,113
Real Estate Investments Trusts	59,304
Venture Capital	20,094
Total	\$ 1,514,479

Custodial Credit Risk-Investments-Pension Trust Fund

Custodial credit risk for investments is the risk that, in the event a counterparty fails, the Pension Trust Fund will not be able to recover the value of investments or securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Pension Trust Fund's name and are held by the counterparty. Substantially all of the assets of the Pension Trust Fund are held in its name. Repurchase agreements held by the Pension Trust Fund are essentially collateralized overnight loans, with the securities held by the counterparty as collateral. These securities are held by the counterparty but not in the Pension Trust Fund's name. As of December 31, 2005, \$ 2,817 of the collateral for the repurchase agreements was exposed to custodial risk because it is held outside of the trust's name. The Pension Trust Fund does not have a formal policy for custodial credit risk.

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Note 3- Deposits and Investments (Continued)

Interest Rate Risk-Investments Pension Trust Fund

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. The Option-Adjusted Duration method of measuring duration takes into effect the embedded options on cash flows. The Pension Trust Fund does not have a formal policy that limits investment maturities as a means of managing exposure to losses arising from increasing interest rates with the exception of the cash equivalent portfolio. The investment policy limits the duration of individual securities held in the cash equivalent portfolio to 2.5 years. In addition, the duration of the entire cash equivalent portfolio should be between 1 and 2 years.

As of December 31, 2005 the Pension Trust Fund had the following option-adjusted durations for the fixed income investment:

<u>Fixed Income Sector</u>	<u>Fair Value</u>	<u>Option-Adjusted Duration (In Years)</u>
Asset Backed Securities	\$ 11,948	1.07
CM Backed Securities	4,368	5.97
CMO Corporate	12,362	1.60
CMO Government Agencies	7,328	3.36
Corporate	160,132	5.76
Energy	1,439	2.41
Government	68,412	3.43
Health Care	3,314	3.16
Industrials	683	3.75
Information Technology	3,928	0.85
Other	61,766	0.08
U.S. Convertibles	2,880	0.84
U.S. Gov't Mortgages	25,412	3.63
U.S. Private Placements	11,451	6.30
Non U.S.	14,012	3.31
Other	273,085	*
Totals	<u>\$662,520</u>	

* Represents \$ 211,104 invested in bond mutual funds for which the duration was not available.

Credit Risk-Investments-Pension Trust Fund

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality rating of a security (rated by Moody's Investor Services (Moody's), Standard & Poor (S & P) and Fitch Ratings (Fitch's)

Note 3- Deposits and Investments (Continued)

Credit Risk-Investments-Pension Trust Fund (Continued)

gives an indication of the degree of credit risk for that security. With the exception of the Loomis Sayles-High Yield and the MCM Aggregate Bond portfolios, bonds purchase and owned in each portfolio must have a minimum quality rating of Baa3 (Moody's) or BBB- (S & P and Fitch's). The average quality of each portfolio must be A or better. For Loomis Sales-High Yield, bonds must have a minimum quality rating of B3 (Moody's) or B- (S & P and Fitch's) at the time of purchase. The fixed income securities for the MSM Aggregate Bond portfolio should have a minimum quality rating of A, with the exception of 15% of the portfolio, which may have a minimum quality rating of BBB.

As of December 31, 2005 the Pension Trust Fund had the following average credit quality ratings of investments in fixed income securities:

<u>Average Quality Ratings *</u>	<u>Fair Value</u>
AAA	\$ 37,187
AA1	4,225
AA2	1,735
AA3	476
A1	3,307
A2	63,197
A3	6,960
BAA1	11,018
BAA2	23,971
BAA3	16,685
BA1	25,054
BA2	26,289
BA3	15,624
B1	16,436
B2	12,756
B3	8,836
CAA1	5,731
CAA2	1,437
NR	5,944
Total Credit Risk Fixed Income Securities	286,868
U.S. Government and Agencies	104,321
Mutual Funds (Not Rated)	209,090
Total Investment in Fixed Income	<u>\$600,279</u>

*This represents the average rating of the Moody's, S & P and Fitch's rating services. The rating symbols are those used by Moody's.

Note 3- Deposits and Investments (Continued)

Concentration of Credit Risk-Investments-Pension Trust Fund

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pension Trust Fund has no investments (other than those guaranteed by the U.S. Government and investments in mutual funds) that represent 5 percent or more of the plan net assets as of December 31, 2005.

Foreign Currency Risk Investments-Pension Trust Fund

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Pension Trust Fund's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments.

As of December 31, 2005 the Pension Fund had the following investments exposed to foreign currency risk:

Current Unit	Equity Incl	Fixed Income	Total
	Private Equity	Incl Conv Deb	
Australian Dollar	\$ 1,237	\$ -	\$ 1,237
Brazilian Real	-	1,146	1,146
British Pond Sterling	10,913	-	10,913
Canadian Dollar	3,233	3,879	7,112
Danish Krone	263	-	263
Euro Currency Unit	22,348	-	22,348
Hong Kong Dollar	1,028	-	1,028
Japanese Yen	25,084	-	25,084
Mexican New Paso	-	2,642	2,642
Norwegian Krone	220	941	1,161
S African Comm Rand	886	-	886
Singapore Dollar	725	2,035	2,760
South Korean Won	1,312	1,445	2,757
Swedish Krona	1,385	425	1,810
Swiss Franc	6,916	-	6,916
Thailand Baht	-	1,758	1,758
Totals	\$ 75,550	\$ 14,271	\$89,821

The Pension Trust Fund does not have a policy for foreign currency risk.

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Note 4- Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectibles accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 4,157	\$ -	\$ -	\$ -	\$ 4,157
Taxes:					
Current Levy	233,430	-	-	-	233,430
Delinquent	7,988	-	-	-	7,988
Accounts	1,209	187	-	-	1,396
Notes	4,100	4,445	-	-	8,545
Other	7,988	-	109	243	8,340
Due from Other Governments	<u>54,086</u>	<u>-</u>	<u>3,161</u>	<u>-</u>	<u>57,247</u>
Gross Receivables	312,958	4,632	3,270	243	321,103
Less: Allowance for					
Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$312,958</u>	<u>\$ 4,632</u>	<u>\$ 3,270</u>	<u>\$ 243</u>	<u>\$321,103</u>

Of the delinquent taxes receivable of \$ 7,988, \$ 4,473 are not expected to be collected within one year.

At December 31, 2005 accounts receivable and the allowance for uncollectibles accounts of the Enterprise funds are as follows:

	<u>Airport</u>	<u>Behavioral Health Division</u>	<u>Transit System</u>	<u>Total</u>
Receivables:				
Accounts	\$ 8,093	\$ 17,350	\$ 166	\$ 25,609
Other	-	-	2,329	2,329
Due from Other Governments	<u>-</u>	<u>-</u>	<u>4,853</u>	<u>4,853</u>
Gross receivables	8,093	17,350	7,348	32,791
Less: Allowance for				
Uncollectibles	<u>-</u>	<u>(5,915)</u>	<u>-</u>	<u>(5,915)</u>
Net Total Receivables	<u>\$ 8,093</u>	<u>\$ 11,435</u>	<u>\$ 7,348</u>	<u>\$ 26,876</u>

All amounts are expected to be collected within one year.

Note 4- Receivables (Continued)

The gross amount of notes receivable consisted of the following at December 31, 2005:

General Fund	\$ 4,100
Debt Service Fund	4,445
Total	8,545
Less: Allowance for Uncollectible Accounts	-
Net	\$ 8,545
 Amounts Due Within One Year	 \$ 3,410
 Amounts Due In More Than One Year	 \$ 5,135

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental and proprietary funds were as follows:

Deferred Revenue - Governmental Activities:

2005 Property Tax Levy	\$232,593
Other Deferred Credits:	
Public Works Services	197
Risk Management	63
Other Deferred Revenue	2,514
Total	\$235,367

Deferred Revenue - Business-Type Activities:

Airport	\$ 8,678
Other Deferred Credits:	
Behavioral Health	113
Transit	1,969
Total	\$ 10,760

Note 5- Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2005.

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 60,269	\$ -	\$ (749)	\$ 59,520
Construction in progress	53,950	22,168	(3,287)	72,831
Total Capital Assets, not being Depreciated	114,219	22,168	(4,036)	132,351
Capital Assets, Being Depreciated				
Land Improvements	197,164	-	(1,281)	195,883
Buildings	549,893	-	(18,525)	531,368
Fixed Equipment Buildings	27,121	29	(3,264)	23,886
Infrastructure	117,874	11,175	(760)	128,289
Machinery and Equipment	79,976	486	(3,451)	77,011
Vehicles and related Equipment	37,764	2,868	(3,796)	36,836
Furniture and Fixtures	1,054	10	(53)	1,011
Capital Lease Equipment	828	-	(606)	222
Total Capital Assets, Being Depreciated	1,011,674	14,568	(31,736)	994,506
Less: Accumulated Depreciation				
Land Improvements	(103,282)	(5,440)	1,253	(107,469)
Buildings	(251,454)	(14,796)	15,141	(251,109)
Fixed Equipment Buildings	(15,030)	(1,097)	3,215	(12,912)
Infrastructure	(45,025)	(6,452)	760	(50,717)
Machinery and Equipment	(45,958)	(5,023)	3,279	(47,702)
Vehicles and related Equipment	(23,527)	(2,883)	3,144	(23,266)
Furniture and Fixtures	(858)	(42)	52	(848)
Capital Lease Equipment	(828)	-	607	(221)
Total Accumulated Depreciation	(485,962)	(35,733)	27,451	(494,244)
Net Capital Assets Being Depreciated	525,712	(21,165)	(4,285)	500,262
Governmental Activities Capital Assets- Net	\$ 639,931	\$ 1,003	\$ (8,321)	\$ 632,613

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2005 are comprised of the following:

General Capital Assets, Net	\$570,410
Internal Service Fund Capital Assets, Net	62,203
Total	<u>\$632,613</u>

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to governmental functions as follows:

Legislative and Executive, and Staff	\$ 2,750
Courts and Judiciary	42
General Governmental Services	1,936
Public Safety	5,758
Public Works and Highways	12,209
Human Services	2,668
Parks, Recreation, and Culture	10,370
Total	\$ 35,733

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2005.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, <i>not being</i> Depreciated				
Land	\$ 20,759	\$ 1,795	(113)	\$ 22,441
Construction in progress	51,638	31,784	(12,812)	70,610
Total Capital Assets, <i>not being</i> Depreciated	72,397	33,579	(12,925)	93,051
Capital Assets, Being Depreciated				
Land Improvements	121,903	2,200	(1)	124,102
Buildings	224,708	4,134	(7)	228,835
Fixed Equipment Buildings	94,297	790	(3)	95,084
Machinery and Equipment	14,475	848	(2,060)	13,263
Vehicles and related Equipment	156,636	4,178	(13,868)	146,946
Furniture and Fixtures	3,439	2	(31)	3,410
Total Capital Assets, Being Depreciated	615,458	12,152	(15,970)	611,640
Less: Accumulated Depreciation				
Land Improvements	(76,879)	(3,981)	2	(80,858)
Buildings	(157,022)	(7,202)	6	(164,218)
Fixed Equipment Buildings	(18,320)	(4,327)	3	(22,644)
Machinery and Equipment	(10,173)	(783)	2,049	(8,907)
Vehicles and related Equipment	(78,521)	(11,190)	13,751	(75,960)
Furniture and Fixtures	(1,418)	(87)	30	(1,475)
Total Accumulated Depreciation	(342,333)	(27,570)	15,841	(354,062)
Net Capital Assets Being Depreciated	273,125	(15,418)	(129)	257,578
Business-type Activities Capital Assets- Net	\$ 345,522	\$ 18,161	\$ (13,054)	\$ 350,629

Note 5- Capital Assets (Continued)

Primary Government (Continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 13,754
Behavioral Health	733
Transit System	<u>13,083</u>
Total	\$ <u>27,570</u>

Discretely Presented Component Units

Of the County's four component units two have reportable capital assets, the Milwaukee Public Museum and the Private Industry Council of Milwaukee County.

The capital assets of the Milwaukee Public Museum consist of the following:

Construction in progress	\$ 581
Land	343
Building additions and improvements	19,041
Furniture, equipment and exhibits improvements	9,790
Living Collections	24
Less: Accumulated depreciation	<u>(8,218)</u>
Capital Assets, Net	\$ <u>21,561</u>

The capital assets of the Private Industry Council of Milwaukee County consist of the following:

Land	\$ 170
Building	1,730
Building Improvements	861
Furniture and Fixtures	164
Less: Accumulated Depreciation	<u>(115)</u>
Capital Assets, Net	\$ <u>2,810</u>

Note 5- Capital Assets (Continued)

Construction Commitments

Following is a list of major capital projects either started or continuing in 2005. These reflect projects for both governmental funds and proprietary funds.

<u>Project Area</u>	<u>Project Description</u>	<u>2005 Appropriations</u>	<u>2005 Expenditures</u>	<u>Committed</u>
Airport	CONTINENTAL OPERATION SPACE	\$ 11,343	\$ 19,800	\$ 6,638
Airport	GMIA, PHASE I MITIGATION PROGRAM	-	9,231	2,067
Airport	ELECTRICAL SYSTEM UPGRADE	2,059	3,209	1,189
Airport	D CONCOURSE IMPROVEMENTS	12,761	1,720	9,819
Airport	GMIA - E CONCOURSE STEM REMODEL	1,299	1,114	561
Airport	E CONCOURSE AIRCRAFT PARK RAMP	80	1,058	24
Airport	AIRPORT VEHICLES	-	732	74
Airport	GMIA- TERMINAL APRON JOINT REPAIR	650	509	148
Airport	CONCRETE BARRIERS (350)	-	330	9
Airport	FLEET MAINTENANCE FLOOR REPLACE	240	238	2
Airport	GMIA RE-LIGHT RUNWAY 7R/25L	-	195	-
Airport	GMIA C CONCOURSE GATE TAXIWAY	-	195	420
Airport	RUNWAY SAFETY AREA-NEPA COMP	500	180	50
Airport	GMIA C CONCOURSE HYDRANT FUEL	-	175	432
Airport	GMIA - MASTER PLAN UPDATE	-	174	413
Airport	LJT PAVEMENT REHABILITATION	-	155	-
Airport	GMIA, DRAINAGE MASTER PLAN	-	133	2
Airport	GMIA - CONCESSION MALL RENOVATION	-	132	19
Airport	GMIA - ENHANCED SECURITY POST	(350)	108	392
Airport	GMIA PART 150 NOISE STUDY	-	59	833
Airport	GMIA, PARK-LOT 6TH AND GRANGE	-	54	12
BHD	PSYCHIATRIC FIRE ALARM SYSTEM	1,054	104	28
Genl Govt	COURTHOUSE HVAC SYSTEM	150	109	23
Genl Govt	COURTHOUSE ROOF REPLACEMENT	1,475	2,032	257
Genl Govt	800MHZ INTEROPERABILITY STUDY	845	1,587	75
Genl Govt	IMSD COMMUNICATION SYSTEM	1,900	1,297	603
Genl Govt	BACK-UP AND CITY MILW DATA CENTER	1,283	1,177	331
Genl Govt	FLEET AIRPORT EQUIPMENT	1,340	962	1,665
Genl Govt	FLEET ROADWAY IMPROVEMENTS	173	601	10
Genl Govt	CORPORATION COUNSEL COMPUTER EQUIPMENT	451	367	102
Genl Govt	OTHER AGENCIES OP TRANSFER	-	324	-
Genl Govt	SHERIFF CELLULAR PHONE 911 UPGRADE	495	203	167
Genl Govt	COURTHOUSE ANNEX RENOVATION	1,300	187	199
Genl Govt	COUNTY SPECIAL ASSESSMENTS	100	175	-
Genl Govt	COUNTY WEB, INTERNET & ELECTRONIC COMM DEVELOPMNT	200	143	78
Genl Govt	COUNTY GROUNDS ROAD RECONSTRUCTION	-	134	125
Genl Govt	COUNTYWIDE HANDICAP ACCESSIBLE	172	133	32

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2005 Appropriations	2005 Expenditures	Committed
Genl Govt	BRASS BUDGET AUTOMATION	\$ 250	\$ 32	\$ 120
Genl Govt	JAIL VIDEO VISITATION-PLANNING	-	80	-
Genl Govt	ELECTRONIC MEDICAL RECORDS	-	72	20
Genl Govt	COURTHOUSE SECURITY EQUIPMENT	75	66	-
Genl Govt	FLEET - FIRE/HEAT DETECTION	(95)	54	2
Highways	RECONSTRUCT CTH & QUOT,S",-MILL RD	3,568	5,162	98
Highways	PEDESTRIAN STRUCTURE INVENTORY	1,829	2,475	46
Highways	BRIDGE REPLACEMENT PROGRAM	1,801	1,421	129
Highways	W. RAWSON AVE. S 68TH ST.	762	540	241
Highways	RESURFACE 76TH STREET	358	390	198
Highways	WEST RAWSON AVENUE 27TH TO ASH	-	356	-
Highways	S 76TH ST BRIDGE	-	308	-
Highways	RECONSTRUCT SOUTH 13TH	600	261	26
Highways	NHS GOOD HOPE/S 107TH -N PORT RD	247	114	189
Highways	S 76TH STREET TO W FOREST HOME	-	108	28
HOC	UPGRADE FIRE ALARMS	556	365	45
HOC	HOC INFRASTRUCTURE	-	131	7
HOC	LOTTER REPLACE-CONVERT HVAC	428	65	7
Hum Svcs	WEST ENTRANCE ACCESSIBILITY	659	1,132	354
Hum Svcs	KELLY SENIOR CENTER SIGN REPLACEMENT	518	731	98
Hum Svcs	CUSTOMER CARE UNIT PHONE SYSTEM	449	215	180
Parks	SOUTH SHORE BREAKWATER/ SHORELINE PROTECTION/BIKE TRAIL	1,647	1,826	357
Parks	PARKS INFRASTRUCTURE IMPROVEMENTS	938	1,014	539
Parks	COUNTYWIDE TRAIL & HARD SURFACE REPLACEMNT PROGRAM	450	695	33
Parks	COUNTY-WIDE PLAY AREA REDEVELOPMENT	344	372	19
Parks	BRADY STREET BRIDGE RAMP	302	259	11
Parks	MITCHELL DOMES REDEVELOPMENT	106	220	21
Parks	DINEEN GROBSCHMIDT PARKS	-	184	-
Parks	OAK LEAF TRAIL - LOOMIS TO DREXEL	-	149	312
Parks	GOLF COURSE IMPROVEMENTS	566	139	77
Parks	WASHINGTON PARK BAND SHELL	100	99	2
Parks	MENOMONEE RIVER STREAMBANK	275	98	376
Parks	51ST STREET BRIDGE REPLACEMENT	5	88	-
Parks	EAST SIDE BIKE TRAIL ACCESS	67	71	130
Parks	O'DONNELL PARK MAINTENANCE	-	68	5
Parks	SOUTH SHORE STORMWATER TREATMENT DEVICE	35	58	-
Parks	GRANT PARK BEACH IMPROVEMENTS	-	53	8

Note 5- Capital Assets (Continued)

Construction Commitments (Continued)

Project Area	Project Description	2005 Appropriations	2005 Expenditures	Committed
Parks, Rec & Cult	MILWAUKEE COUNTY HISTORICAL SOCIETY	\$ -	\$ 392	\$ 125
Parks, Rec & Cult	MARCUS CENTER-UIHLEIN HALL DIMMER SYSTEM	465	410	51
Parks, Rec & Cult	MARCUS CENTER FIRE ALARM SYSTEM	282	348	113
Parks, Rec & Cult	PLUMBING SYSTEM REPAIR	180	201	33
Parks, Rec & Cult	WAR MEMORIAL HVAC REPLACEMENT	710	198	97
Parks, Rec & Cult	SECURITY/FIRE/LIFE SAFETY SYSTEM REPLACEMENT	308	169	33
Parks, Rec & Cult	SOUTH SHORE PUBLIC ART	97	97	3
Transit	SCHEDULE/RUNCUTTING/OPERATORS	-	712	470
Transit	EXTERIOR WALL IMPROVEMENTS	-	308	-
Transit	KELLY SENIOR CENTER TURNAROUND	320	216	39
Transit	KK RCOMPLEX RENOVATIONS	-	197	-
Transit	BUS REPLACEMENT - ORION BUSES	4,290	105	-
Zoo	FELINE BUILDING	1,000	2,303	547
Zoo	ZOO PRIMATE BLDG RESTROOMS ADA	964	1,330	544
Zoo	MOAT NET INSTALLATION	(110)	81	30

Capital outlays are reported as expenditures in the governmental funds and bond proceeds are reflected as revenue for projects built on behalf of the governmental funds. However, in the statement of activities, the cost of capital assets built for the governmental funds is allocated over their useful lives as depreciation expense, and the bond proceeds are no longer a revenue but an increase in the long-term liabilities. Similarly, the governmental funds also report the expenditures and associated revenues of building proprietary fund assets. However, in the statement of activities, the cost of building proprietary fund assets is reclassified as transfers between governmental and business-type activities.

Asset Impairment

Public Works Services expenses in the Internal Service Funds included an impairment loss of \$ 1,253 related to the demolition of a building for freeway expansion.

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Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2005 is as follows:

Transfers From								
	Business							Total
	General	Debt	Capital	Business	Type	Business	Internal	
		Service	Projects	Type	Behavioral	Type	Service	
	Fund	Fund	Fund	Airport	Health	Transit	Fund	
General Fund	\$ -	\$ 4,781	\$ 4,003	\$ 1,301	\$ 619	\$ 5,155	\$ 7,435	\$ 23,294
Non-Major								
Transfers In	Governmental Funds	2,843	-	-	-	-	-	2,843
	Debt Service	32,835	-	-	-	-	-	32,835
	Internal Service							
	IMSD	18,260	-	-	-	-	-	18,260
	DPW	16,526	-	-	-	-	-	16,526
	Business-type							
	Airport	39	-	-	-	-	-	39
	BHD	36,226	-	-	-	-	-	36,226
	Transit	23,619	-	-	-	-	-	23,619
Total		\$ 130,348	\$ 4,781	\$ 4,003	\$ 1,301	\$ 619	\$ 5,155	\$ 7,435
Add: Transfers of Capital Assets from Governmental to Business-type Activities								7,127
Less: Government-wide eliminations								(107,960)
Total Transfers- Government-wide Statement of Activities								\$ 52,809

No fund may have a reserve except for the Airports Fund. All funds that have a net increase, the net increase is transferred to the General Fund. All funds that have a net decrease, the amount of the net decrease is transferred to them from the General Fund to make them break-even for the year.

Note 7- Leases

Operating Leases- Primary Government

The County leases facilities, office equipment, and vehicles. Total costs for such leases were \$ 4,926 for the year ended December 31, 2005. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2006	\$ 1,569
2007	1,277
2008	1,156
2009	934
2010	937
	<u>\$ 5,873</u>

Note 8- Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Governmental Activities:						
General Obligation Bonds	\$ 425,707	\$ 76,156	\$ 1,257	\$ (82,446)	\$ 420,674	\$ 34,923
Unfunded Claims and Judgments	13,024	8,324	-	(8,224)	13,124	3,874
Landfill Post-closure costs	11,700	4,654	-	(2,575)	13,779	1,569
Compensated Absences	37,416	29,372	-	(19,040)	47,748	22,038
Totals	<u>\$ 487,847</u>	<u>\$ 118,506</u>	<u>\$ 1,257</u>	<u>\$ (112,286)</u>	<u>\$ 495,325</u>	<u>\$ 62,404</u>

	Beginning Balance	Additions	Amortized Accretion, Loss, Discount Premium	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:						
General Obligation Bonds	\$ 57,152	\$ 2,063	\$ 79	\$ (6,245)	\$ 53,049	\$ 11,822
Revenue Bonds	120,737	37,021	37	(4,940)	152,855	5,870
Compensated Absences	25,809	12,389	-	(12,282)	25,916	10,482
Other Liabilities	9,486	6,070	-	(3,915)	11,641	1,903
Totals	<u>\$ 213,184</u>	<u>\$ 57,543</u>	<u>\$ 116</u>	<u>\$ (27,382)</u>	<u>\$ 243,461</u>	<u>\$ 30,077</u>

The General Obligation Bonds and Revenue Bonds activity includes refundings, which are described in "Advance and Current Refundings in this note.

Compensated Absences consist of the following:

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
Governmental Activities:					
Retirement sick pay payout	\$ 20,796	\$ 11,782	\$ (2,420)	\$ 27,738	\$ 4,448
Vacation time earned	13,692	14,943	(13,726)	14,909	14,909
Overtime earned	1,222	1,298	(1,213)	1,307	1,307
Holiday pay	1,706	1,349	(1,681)	1,374	1,374
Totals	<u>\$ 37,416</u>	<u>\$ 29,372</u>	<u>\$ (19,040)</u>	<u>\$ 47,748</u>	<u>\$ 22,038</u>

	Beginning Balance	Additions	Payments & Adjustments	Ending Balance	Due in One Year
Business-type Activities:					
Retirement sick pay payout	\$ 16,925	\$ 2,724	\$ (2,873)	\$ 16,776	\$ 1,342
Vacation time earned	8,263	9,102	(8,817)	8,548	8,548
Overtime earned	455	13	(234)	234	234
Holiday pay	166	550	(358)	358	358
Totals	<u>\$ 25,809</u>	<u>\$ 12,389</u>	<u>\$ (12,282)</u>	<u>\$ 25,916</u>	<u>\$ 10,482</u>

Note 8- Long-term Liabilities (Continued)

Changes in Long-term Liabilities (Continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$ 49,252 of internal service funds long-term liabilities is included in the above figures. Also, for the governmental activities, claims and judgments and compensated absences are liquidated as they come due for payment and their adjustments are made at year end based on a detailed reevaluation of the account. As claims and judgments expenditures are incurred the general fund is used to liquidate the costs.

Unfunded claims and judgments include estimated costs for outstanding medical, environmental, and other claims. At December 31, 2005 the outstanding amount of claims and judgments due within one year totaled \$ 3,874.

State and federal laws require the County to perform certain maintenance and monitoring functions at all of its solid waste landfill sites. Since all of the County's eleven landfill sites are no longer accepting waste, the total future costs of \$ 13,779 has been identified for maintenance and monitoring functions in accordance with Governmental Accounting Standards Board Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The funding for these post-closure costs will be included in future County tax levies.

Governmental Activities

Proceeds from general obligation bonds issued during the year are budgeted for and recorded within the Capital Projects Fund and subsequently allocated to Business-Type Funds, where appropriate.

General obligation bonds are secured by the full faith; credit and unlimited taxing power of the County and are used to finance capital projects. General obligation bonds recorded in the Governmental Funds will be retired by future property tax levies and other resources accumulated in the Debt Service Fund.

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 56,493	\$ 7,926	\$ 12,640
General Obligation Building Bonds, Series 1997A	09/01/97	10/01/13	4.91%	2,500	155	7
General Obligation Museum Refunding Bonds, Series 1999A	05/27/99	10/01/13	4.67%	2,290	1,355	303
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	20,896	3,499
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	3,168	633
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	7,544	1,241
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	2,610	1,500	323
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	45,376	40,986	5,045
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	37,830	21,477	7,217
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	55,841	34,884	5,177
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	23,361	8,661
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	92,151	92,151	26,473
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	32,848	19,291	892
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,237	19,972	7,054
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,095	24,027	7,419
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	19,167	15,708	2,383
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	22,619	22,619	8,942

Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	58,929	58,929	19,765
Total Governmental Activities -- General Obligation Debt					\$ 415,949	\$ 117,674
Discount					(687)	
Loss					(9,503)	
Accretion					7,795	
Premium					7,120	
Total Governmental Activities -- General Obligation Debt, Net					\$ 420,674	
Short-Term					34,923	
Long-Term					385,751	
Total Debt per Statement of Net Assets -- Governmental Activities					\$ 420,674	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.54% including .85% related to direct County indebtedness at December 31, 2005. Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2005 under Wisconsin Statutes, the County could borrow an additional \$ 2,352,026.

At December 31, 2005, the weighted average interest rate of general obligation bonds and notes outstanding was 3.17%. The maturities of the outstanding principal and related interest requirements are as follows:

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Note 8- Long-term Liabilities (Continued)

Governmental Activities (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
<u>December 31</u>			
2006	\$ 34,923	\$ 17,188	\$ 52,111
2007	34,251	15,983	50,234
2008	41,670	14,622	56,292
2009	43,036	16,744	59,780
2010	39,694	14,814	54,508
2011-2015	181,212	34,423	215,635
2016-2020	<u>41,163</u>	<u>3,900</u>	<u>45,063</u>
	415,949	<u>\$117,674</u>	<u>\$ 533,623</u>
Premium	7,120		
Accretion	7,795		
Discount	(687)		
Loss	<u>(9,503)</u>		
	<u>\$420,674</u>		

On November 17, 2005, the County issued \$24,610 of General Obligation Corporate Purpose Bonds, Series 2005A. Total proceeds of \$ 25,175 (par amount of bond issue of \$ 24,610, plus a net premium of \$518, plus accrued interest of \$ 47) were used to purchase direct obligations of the United States of America or held in cash. The proceeds will be used to finance capital projects for general County purposes pursuant of the County's 2005 Adopted Capital Improvement Budget. The bonds of \$ 22,619 and \$ 1,991 were recorded in Governmental Activities and the Business-type Activities columns on the Statement of Net Assets, respectively. Major expenditure categories include:

Highways and Bridges	\$ 1,565
Transit, Parks Rec and Culture, Health & Human Services, & General Government	22,970
Parks, Recreational and Cultural Facilities	<u>75</u>
Total	<u>\$ 24,610</u>

These bonds have semi-annual interest payments on June 1 and December 1 through 2020. The interest rate is 4.0% for 2006 through 2015, 4.25% for 2016, 4.375% for 2017, and 5.0% for 2018 through 2020.

Note 8- Long-term Liabilities (Continued)

Business-type Activities

Revenues in these funds will retire general obligation bonds recorded in the Proprietary Funds, or if the revenues are not sufficient, by future property tax levies.

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 1,207	\$ 158	\$ 252
General Obligation Airport Bonds, Series 1995A	06/15/95	12/01/14	5.65%	6,175	2,930	-
General Obligation Airport Bonds, Series 1996A	06/15/96	12/01/15	5.80%	7,100	3,750	1,215
General Obligation Refunding Airport Bonds, Series 1996A	07/01/96	10/01/08	5.41%	23,520	4,570	-
General Obligation Refunding Airport Bonds, Series 1997A	09/01/97	10/01/09	4.72%	14,760	3,045	267
General Obligation Airport Bonds, Series 1999A	05/01/99	10/01/14	4.60%	6,825	4,095	952
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	407	81
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	1,074	180
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	73,470	45,090
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	356	71
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	870	132
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	4,549	4,014	494
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	2,023	708
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	7,109	4,441	659
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,763	1,059
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	6,375	2,876
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	8,111	7,874	2,262

Note 8- Long-term Liabilities (Continued)

Business-type Activities (Continued)

Business-type Activities General Obligation and Revenue Bond Debt						
Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/05	Interest to Maturity
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	702	384	18
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	2,713	2,528	975
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	37,360	36,470	24,505
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,855	1,808	589
General Obligation Corporate Purpose Bonds, Series 2005A	11/01/05	12/01/20	4.24%	1,991	1,991	851
General Airport Revenue Bonds, Series 2005A	12/22/05	12/01/30	4.90%	29,010	29,010	26,129
Airport Refunding Bonds, Series 2005B	12/22/05	12/01/14	3.65%	7,755	7,755	1,614
General Obligation Refunding Bonds, Series 2005B	11/01/05	10/01/15	3.89%	4,096	4,096	1,374
Total Business-Type Debt					\$ 206,257	\$ 112,353
Discount					(337)	
Loss					(813)	
Accretion					155	
Premium					642	
Total Business-Type Debt, Net					\$ 205,904	
Short-Term					\$ 17,692	
Long-Term General Obligation Debt					41,227	
Long-Term Airport Revenue Bonds					146,985	
Total Debt Per Statement of Net Assets-Business-type Activities					\$ 205,904	

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Note 8- Long-term Liabilities (Continued)

Business-type Activities (Continued)

The maturities of the outstanding principal and related interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
<u>December 31</u>			
2006	\$ 17,692	\$ 9,891	\$ 27,583
2007	10,323	9,537	19,860
2008	10,223	9,058	19,281
2009	10,729	8,651	19,380
2010	10,459	8,154	18,613
2011-2015	50,719	32,809	83,528
2016-2020	38,522	20,846	59,368
2021-2025	37,220	10,712	47,932
2026-2030	20,370	2,695	23,065
	<u>206,257</u>	<u>\$112,353</u>	<u>\$ 318,610</u>
Premium	642		
Accretion	155		
Discount	(337)		
Loss	(813)		
	<u>\$205,904</u>		

Business-type Activities- Revenue Bonds

On June 22, 2000, the County issued \$83,565 of Airport Revenue Bonds, Series 2000A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport. The Series 2000 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2020 with \$18,350 term bonds due December 1, 2025. The interest rate is 5.50% for 2003 through 2004, 5.00% for 2005, 5.75% for 2006 through 2008, 5.25% for 2009 through 2010, 5.75% for 2011, and 6.00% for 2012 through 2020. The interest rate is 5.75% for the term bonds due December 1, 2025.

On January 1, 2003, the County issued \$7,125 of Airport Revenue Bonds, Series 2003A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A. The Series 2003 Bonds are

Note 8- Long-term Liabilities (Continued)

Business-type Activities- Revenue Bonds (Continued)

not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2022. The interest rate is 3.0% for 2004 through 2006, 3.25% for 2007 and 2008, 3.75% for 2009, 4.00% for 2010, 4.25% for 2011, 4.50% for 2012, 4.625% for 2013, 5.0% for 2014-2016, 5.25% for 2017-2019, and 5.5% for 2020 through 2022.

On March 31, 2004, the County issued \$37,360 of Airport Revenue Bonds, Series 2004A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000 and Airport Revenue Bonds, Series 2003A, dated January 1, 2003. The Series 2004 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2029. The interest rate is 2.0% for 2005 and 2006, 2.5% for 2007, 3.0% for 2008 and 2009, 5.0% for 2010 through 2017, 4.625% for 2018 through 2024, and 4.50% for 2025 through 2029.

On December 22, 2005 the County issued \$29,010 of Airport Revenue Bonds, Series 2005A. The 2005 Bonds are special obligations of the County, payable solely from revenue of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000, Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004 (the "Outstanding Bonds"), and any additional airport revenue bond which may hereafter be issued by the County, as provided in the General Resolution. The 2005 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2005 Bonds. The 2005 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Bonds, Series 2005A interest rate is 4.0% for 2006 through 2014, 5.25% for 2015 through 2026, 4.875% for 2027 through 2029, and 4.7% for 2030. The Series 2005A Bonds are not callable for redemption prior to December 1, 2016.

Advance and Current Refundings

On November 17, 2005, the County issued \$63,025 of General Obligation Refunding Bonds, Series 2005A. Total proceeds of \$67,551 (par amount of bond issue of \$63,025, plus a net premium of \$4,386, plus accrued interest of \$140) were used to purchase direct obligations of the United States of America or held

Note 8- Long-term Liabilities (Continued)

Advance and Current Refundings (Continued)

in cash. The proceeds will be used to refund a portion of the County's General Obligation Corporate Purpose Bonds and General Obligation Building Bonds. The refunding bonds of \$ 58,929 and \$ 4,096 were recorded in Governmental Activities and the Business-type activities columns on the Statement of Net Assets, respectively. As a result, the refunded bonds are considered defeased and the liability have been removed from the accompanying financial statements of the County.

The refunding resulted in a \$ 3,548 loss to be amortized over the life of the bond issue in accordance with Governmental Accounting Standards Board Statement No. 23, Accounting and Financial Reporting for Refundings of Debt. The advance refunding was undertaken to decrease the total debt service over the next 10 years by \$ 2,518, and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$ 2,266.

These bonds have semi-annual interest payments on April 1 and October 1 through 2015. The interest rate is 4.0% for 2006 through 2008, 5.0% for 2009 through 2014, and 5.25% for 2015.

On December 22, 2005 the County issued \$7,775 of Airport Revenue Refunding Bonds, Series 2005B (collectively, the "2005 Bonds"). The 2005 Bonds are special obligations of the County, payable solely from revenue of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000, Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004 (the "Outstanding Bonds"), and any additional airport revenue bond which may hereafter be issued by the County, as provided in the General Resolution. The 2005 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2005 Bonds. The proceeds will be used to current refund portions of the County's General Obligation Airport Bonds in January 2006.

The current refunding resulted in an increase in the total debt service over the next nine years of \$ 536, which still resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$ 251.

The 2005 Bonds have semi-annual interest payments on June 1 and December 1. The Airport Revenue Refunding Bonds, Series 2005B interest rate is 4.0% for 2006 through 2014.

Note 8- Long-term Liabilities (Continued)

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the County's financial statements. At December 31, 2005, \$ 145,206 of bonds outstanding is considered defeased.

Debt Issued on Behalf of Other Entities/ Conduit Debt

The County has approved the issuance of variable rate demand revenue bonds (VRDRB) for the benefit of private non-profit corporations. VRDRB's are secured by letter of credit agreements from outside banks and do not constitute indebtedness of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of VRDRB's outstanding at the end of the year is approximately \$ 15,890 made up of four issues. In 2001, an interest rate swap was entered into for three of the issues to effectively fix the interest rate.

In 2003, the County guaranteed \$ 14,400 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$ 5,200 on certain buildings.

In 2004, the County provided a guarantee of \$ 1,000 of the \$ 3,200 loan of a non-profit corporation for the purchase of a building. The guarantee is secured by a second mortgage on the purchased building.

In 2004, the City of Wauwatosa issued additional bonds of \$ 24,500 for the construction of facilities for a land owner at the Milwaukee County Research Park. The County agreed to guarantee the payment of the principal and interest due on these bonds.

In order to develop the Milwaukee County Research Park, a Tax Incremental District has been formed to fund infrastructure development costs. Milwaukee County has agreed to guarantee the City of Wauwatosa redevelopment bonds to pay for the infrastructure costs associated with the Research Park.

The County has guaranteed the repayment of a working capital loan in the amount of \$ 6.0 million made to the Milwaukee Public Museum by two local banks. The outstanding amount of the working capital loan for which the County is liable is \$ 4.4 million.

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Debt Service	\$	2,415
Net Assets- Restricted for Airport PFC		34,155
Net Assets- Restricted for Health & Safety		46
Net Assets- Restricted for Zoo		541
Net Assets- Restricted for Parks		658
Net Assets- Restricted for Persons with Disabilities		122
Net Assets- Restricted for Behavioral Health Division		478
Total	\$	38,415

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Restricted for Revenue Bonds	\$	10,328
Net Assets- Restricted for Capital Asset Needs at the Airport		3,414
Total	\$	13,742

Discretely Presented Component Units

Restricted net assets for the Milwaukee County Research Park and the War Memorial Center consist of the following:

Restricted Building Account-War Memorial	\$	36
Research Development Fund-Research Park		104
Total	\$	140

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Note 9- Net Assets (Continued)

Discretely Presented Component Units (Continued)

Restricted net assets for the Milwaukee Public Museum consist of the following:

Temporarily Restricted

Exhibits and Museum Renovations	\$	342
Educational Lecture Costs		22
Purchase and Maintenance of Collections		945
Restricted for time		157
Held by Friends of the Museum		24
Purchase and Maintenance of Collections -		
Endowment Fund		210
Tirimbina Rainforest Center		34
Internship Programs		300
Total Temporarily Restricted Assets	\$	2,034

Permanently Restricted

Operations	\$	788
Special Exhibits		275
Sterr Adventure and internship		71
Total Permanently Restricted Assets	\$	1,134

Note 10- Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employee or natural disasters. The County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss. The County is self-insured for worker's compensation. In accordance with Wisconsin Statutes, the County's overall exposure for general liability and automobile liability is limited to \$ 50 and \$ 250 per person respectively. The County purchases commercial insurance to cover a substantial portion of the potential general liability, automobile liability and discrimination claims. The County also purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay

Note 10- Risk Management (Continued)

prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board Statement No 10, a liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claims liability at December 31, 2005 was \$ 9,114.

The County has recognized \$ 9,114 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 9,114 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended 12/31/2005	Year ended 12/31/2004
Beginning of year Liability	\$ 9,503	\$ 8,897
Current Year Claims and Changes in Estimates	5,533	5,149
Claims Payments	<u>(5,922)</u>	<u>(4,543)</u>
End of Year Liability	<u>\$ 9,114</u>	<u>\$ 9,503</u>

Note 11- Related Party Transactions

Milwaukee County provides funds required for the operation of the War Memorial Center, Charles Allis/ Villa Terrace Art Museums and Marcus Center for the Performing Arts. To the extent these funds exceed actual disbursements, such excess is required to be returned to Milwaukee County. Milwaukee County and the War Memorial Center agreed that when revenues exceed budget, the War Memorial Center is permitted to create a reserve account whereas up to \$ 25 can be deposited annually. These funds are to be used in future years for the War Memorial Center's operational needs. Total appropriations received by the Memorial for 2005 were \$ 2,858. Interest earned on the investment of excess funds is not considered to be revenue, which must be returned to Milwaukee County. Milwaukee County has agreed to permit this interest income to be used at the discretion of the Board of Trustees for the benefit of their respective operations.

The Milwaukee County Treasurer's office acts as the trustee for the Charles Allis Art Museum Trust. Distributions from the trust totaling \$ 3.2 were made to the Memorial during 2005.

Milwaukee County has legal title to the Milwaukee Public Museum building, exhibits and artifacts, including any building improvements and additions funded

Note 11- Related Party Transactions (Continued)

by the County or the Milwaukee Public Museum. All such assets are leased to the Milwaukee Public Museum under a long-term lease.

Milwaukee County and the Milwaukee Public Museum entered into an agreement, which provides for the not-for-profit operations and management of the Museum. The agreement, effective March 31, 1992, encompasses (1) the lease and management of the Museum and (2) the transition of employees to MPM, Inc.

The lease and management agreement includes annual rental payments of \$10 (ten dollars) and is renewable every five years through March 31, 2042. MPM, Inc. is responsible for all real estate taxes (if any), utilities, insurance, normal repair and maintenance expenses. The agreement also provides for substantially equivalent employee benefits for all employees then employed by the County who became employees of MPM, Inc. in 1992. The County is responsible for, among other items, any special assessments, structural repairs and capital projects. The agreement also requires the County to pay annual support. As a result of the amendment to the agreement in fiscal 1999, the base annual support level of \$ 4.3 million since April 1992 remained in effect through March 21, 2002, at which time the County and MPM, Inc. were required to renegotiate a new base level funding agreement.

As a result of the amendment to the lease and management agreement made on June 30, 2005, the County committed \$ 3,381 of base level funding for calendar year 2005. The County may reduce funding to 95% of the prior year amount in each succeeding year of the agreement. Total funding received by the Museum was \$ 3,547 and \$ 3,949 for the years ending August 31, 2005 and 2004, respectively.

On June 12, 1998, the Chief Local Elected Officer of Milwaukee County (CLEO) and the Private Industry Council (PIC) entered into an operational agreement to effectuate the Workforce Investment Act (WIA). The agreement provides that the PIC shall perform all duties required of it under WIA or other job training and employment programs. Further, the PIC shall be the grant recipient and the administrative entity for operations under WIA and such other programs as may be mutually agreed upon.

Milwaukee County and the Milwaukee County Research Park Corporation entered into a ground lease for 100 years commencing March 24, 1993 at \$ 1.00 (one dollar) per year. This lease covers approximately 158 acres consisting of the southwest quadrant, the Watertown Plank Road Park and Ride Lot and approximately 15 acres of northeast quadrant of the Milwaukee County grounds located in Wauwatosa, Wisconsin.

Note 11- Related Party Transactions (Continued)

Milwaukee County and the Milwaukee County Research Park Corporation entered into a lease, dated March 15, 1993 to manage and sublease the Technology Innovation Center (TIC), also known as M-1. By an agreement, dated September 30, 1998, the lease was extended through September 30, 2003 with three additional five-year option periods commencing October 1, 2003. On July 18, 2000, the Milwaukee County Research Park Corporation exercised the first option period extending the lease through September 30, 2008. The rentable space now comprises most of the basement and the entire first through fifth floors of the building. The rent due to Milwaukee County is based on space actually occupied by tenants and requires the Milwaukee County Research Park Corporation to charge annual base rentals of not less than \$ 7.50 (seven dollars and 50 cents) per tenant occupied space foot, payable monthly. Discounts to the base rental amount require approval by Milwaukee County. As occupancy occurs, the Milwaukee County Research Park Corporation will pay Milwaukee County 66-2/3% of the base rent collected.

Note 12- Subsequent Events

In April 2006, the County issued \$ 31 million of General Obligation Corporate Purpose Bonds, Series 2006A. The bonds are being used to finance capital projects pursuant to the County's 2006 Adopted Capital Improvement Budget.

Note 13- Commitments and Contingencies

Claims and Other Legal Proceedings

The County is subject to numerous claims and other legal proceedings incidental to the ordinary course of its operations, including Environmental Protection Agency claims. Although the outcome of these claims and legal proceedings is not presently determinable, in the opinion of the County's corporate counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

Storm and Sanitary Sewer System

The County has sanitary sewer and storm sewer systems that it is responsible for on County land. The State Attorney General issued an order that requires monitoring, maintenance, and repair of these systems. The purpose of this order is to ensure that the metropolitan areas sanitary sewer systems receive only sanitary system flow from the County. Storm water shall not be allowed to flow into the metropolitan sanitary system. The order will require future capital and operating commitments. For 2006, the commitment is \$ 975.

Note 13- Commitments and Contingencies (Continued)

Intergovernmental Awards

Intergovernmental awards are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the County may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, would not be material to the accompanying government-wide and fund financial statements at December 31, 2005.

Note 14- Other Post-employment Benefits

In addition to pension benefits, the County provides health care benefits, as defined by County Ordinance, Section 17.14, for retired employees. The retirement health benefit is non-contributory for retirees with 15 or more years of service who were hired before January 1, 1994. Retirees with less than 15 years of service pay full premium. The non-contributory health benefit includes reimbursement of the Medicare Part B premium for retirees and covered spouses. Employees hired on and after January 1, 1994 are responsible for the full cost of the medical insurance premiums upon retirement. These employees shall have the full value of their accrued sick allowance at the time of retirement (total hours accrued times the hourly rate at the time of retirement) credited toward the cost of health insurance after retirement. The health benefit for retirees is financed each year with current tax levy funds.

Retirees may enroll in either a fully insured Health Maintenance Organization (HMO) or a self-insured health plan. The County had 1,186 retirees and their spouses and children enrolled in the HMO as of December 31, 2005. The total annual premium paid on behalf of this group for 2005 was \$ 14,653. The County contributed \$ 14,318 or 98% of the total premium; retirees contributed the remaining balance of \$ 335 or 2%. As of December 31, 2005, the County also had 4,880 retirees and their spouses and children enrolled in a self-insured health plan. The 2005 expenditures for the self-insured plan were \$ 40,722 including \$ 1,622 in administrative expenditures. These expenditures were offset by \$ 931 in retiree contributions for health benefit premiums. The County's 2005 expenditure for reimbursement of Medicare Part B premiums for retirees was \$ 4,274.

Employees who retire with no break in service from active employee status retain group term life insurance coverage under the same contribution schedule as when actively employed. Life insurance coverage is the amount in force at retirement. A coverage reduction schedule takes effect at age 65 when the plan becomes non-contributory. Employees hired on and after January 1, 1994 are responsible for the full cost of the life insurance premiums upon retirement. The

Note 14- Other Post-employment Benefits (Continued)

life insurance benefit for retirees is financed each year with current tax levy funds. The 2005 expenditures for life insurance benefits covering 5,413 retirees were \$ 829. The expenditure was offset by \$ 254 in retiree contributions for life insurance premiums.

Note 15-Employee Retirement Systems and Pension Plans

Plan Description and Provisions

Milwaukee County has one retirement plan ("Retirement System"), which consists of two different systems that cover two different groups of employees within the Milwaukee County workforce. The systems within the one retirement plan are the Employees' Retirement System of the County of Milwaukee and the OBRA 1990 Retirement System of the County of Milwaukee.

Employees' Retirement System of the County of Milwaukee ("ERS") –

Substantially all full-time employees of the County are participants in the ERS, which was created by Section 201.24 of the County Ordinances, and which is a single-employer defined benefit pension plan that is substantially non-contributory.

A participant, who terminates employment after five years of credited service is eligible for a deferred vested pension, beginning as of the participant's normal retirement date. The normal retirement benefit is a monthly pension for the life of the participant. For deputy sheriff participants with less than 30 years of service, the normal retirement age is 57. For all other participants, the normal retirement age is 60, although some labor agreements additionally require at least five years of creditable service at age 60. Active participants are also eligible to retire when their age added to their years of service equals 75. The County ordinance and labor agreement require an employee to be a member prior to a stated date in order to qualify for the rule of 75.

The normal retirement benefit payment for a participant whose continuous membership began prior to January 1, 1982, is equal to 2.5% for elected officials, and 2.0% for all other participants, of the participant's three year final average salary, as defined in the Ordinances and labor agreement, multiplied by the number of years of credited service. Except for represented deputy sheriffs and elected officials, employees whose membership in the ERS began before January 1, 1982, will receive a bonus added to their final average salary of 7.5% for each year of service credit earned after January 1, 2001 up to a maximum bonus of 25% of final average salary.

The amount of normal retirement benefit payable for represented deputy sheriffs hired before July 1, 1995 is equal to 2.5% and hired after June 30, 1995 is 2.0%

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Plan Description and Provisions (Continued)

times the participant's five-year final average monthly salary, as defined in labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefit payable for a participant whose continuous membership began after January 1, 1982 is as follows: 2.5% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan and DA investigators hired before July 1, 1995; 2% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan, DA investigators hired after June 30, 1995; 2% for elected officials, firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service.

Those employees whose membership in the ERS began after December 31, 1981, or for a non-represented Deputy Sheriff, whose service began after June 30, 1995, will have all service credited after January 1, 2001 with a 2% multiplier. Also, for each year of pension service earned after January 1, 2001, eight years of service earned prior to January 1, 2001, shall be credited with an additional .5% multiplier.

Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2.0% COLA of the benefit paid for the first full month of retirement. However, the maximum benefit payable, excluding any post-retirement increases, to a participant cannot exceed the sum of 80% of the participant's final average monthly salary.

Beginning in 2001, the ERS also provides for a "back drop" pension benefit that permits an employee to receive both a lump-sum cash payment and a monthly pension benefit upon retirement. The lump-sum cash payment is the total of the monthly pension benefits, adjusted for COLA increases, that a member will be entitled to from a prior date (back drop date) to the date that the member terminates employment plus interest compounded monthly. The backdrop date must be at least one year prior to the termination date and the member must have been eligible to retire as of that date. In addition the member will be entitled to a COLA adjusted monthly pension benefit as if the member had retired on the backdrop date. Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the backdrop pension benefit and individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier. All benefit payments under the plan are subject to the limitations prescribed by Section 415 of the IRS Code.

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Plan Description and Provisions (Continued)

Participants should refer to applicable ordinances or labor agreements for more complete information.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

OBRA 1990 Retirement System of the County of Milwaukee (OBRA) – The County established the OBRA 1990 Retirement System of the County of Milwaukee (“OBRA”) to cover seasonal and certain temporary employees who are not enrolled in the ERS. The OBRA is a single-employer defined benefit pension plan that is non-contributory.

The normal retirement benefit is payable upon request of any participant that has attained age 65. The amount of the normal retirement benefit is equal to one-twelfth of 2% of the participants average compensation multiplied by years of service (not in excess of 30). Average compensation is equal to the total earnings accumulated during the participant’s employment with the County for years subsequent to December 31, 1991.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

Summary of Significant Accounting Policies- Pension Fund

Basis of Accounting – The financial information of the ERS was prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. On an annual basis, the County performs an actuarial valuation of the plan’s assets and liabilities.

Expenses – Administrative expenses incurred by the County related to the ERS are payable by the ERS to the County. Such expenses totaled \$ 973 and \$1,054 in 2005 and 2004, respectively.

Investments – Investments, primarily stocks, bonds, certain governmental loans and mortgage-backed certificates, are stated at quoted fair value. Temporary

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Summary of Significant Accounting Policies- Pension Fund (Continued)

cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the ERS's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method. Assets of the OBRA are commingled for investment purposes with the assets of the ERS.

Valuation of International Securities— Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Security Lending – The Milwaukee County Employees' Retirement System is authorized by County Ordinance and Board of Trustee policies to lend its investment securities. The ERS's custodian manages the securities lending activity. The Securities Lending Agreement may be terminated at anytime by either party upon written notice to the other party. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent. The average term of loans is one week.

The ERS participates in a security-lending program for the lending of corporate bonds, equity and government securities to qualified brokers. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The net investment income earned on collateral is divided between the custodian, as a fee for its services under the programs and the ERS, according to agreed upon rates. For 2005 and 2004, the net investment income realized from the security lending was \$ 318 and \$ 291, respectively.

**Note 15-Employee Retirement Systems and Pension Plans
(Continued)**

**Summary of Significant Accounting Policies- Pension Fund
(Continued)**

Securities loaned and the collateral held were as follows:

	<u>As of December 31</u>	
	<u>2005</u>	<u>2004</u>
Fair Value of Securities Loaned:	\$ 126,529	\$ 111,030
Fair Value of Collateral:	\$ 130,135	\$ 114,406
Percent Collateral to Securities Loaned:	102.85%	103.04%

The collateral received from security lending transactions is recorded as assets at quoted fair value on the financial statement date. The ERS records an identical amount as a liability, representing the obligation of the ERS to return the collateral at the time the borrower of the ERS's securities returns those securities.

The collateral received from securities lending transactions includes cash of \$ 126,947 and \$ 111,140 and U.S. Treasury securities of \$ 3,188 and \$ 3,266, for the years ending December 31, 2005 and 2004, respectively. Under the terms of the securities lending agreement, the ERS has the right to sell or pledge the cash collateral. Non-cash collateral in the amount of \$ 3,188 and \$ 3,266 for years ended December 31, 2005 and 2004, respectively, is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

Actuarial Assumptions and Methods

The schedules of funding progress presented in the supplementary schedules were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

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Note 15-Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions and Methods (Continued)

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	1/1/06	1/1/06
Actuarial Cost Method	Entry Age Normal	Unit Credit Method
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Asset Valuation Method	5-Year smoothing of difference between total expected return versus actual return	Market
Actuarial Assumptions:		
Investment Rate of Return	8.5%	8.5%
Projected Salary Increases	5.5%	5.0%
Mortality	RP 2000 Morality Table	RP 2000 Morality Table
Inflation Rate	3.0%	3.0%

2005 Changes in Plan Provisions or Actuarial Assumptions

- Increase annual compensation limit to \$ 210,000.
- Increase annual benefit limit to \$ 170,000.

2006 Changes in Plan Provisions or Actuarial Assumptions

- Increased annual compensation limit to \$ 220,000.
- Increased annual benefit limit to \$ 175,000.
- Decrease in the discount rate to 8.0%

Contributions Required and Contributions Made

The ERS' funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages for annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period in 2005. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, as well as additional contributions at the discretion of the County Board. Actuarially determined contribution requirements are set

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Contributions Required and Contributions Made (Continued)

during the County's budget process. The data available for the determination is based upon the prior fiscal year's demographics. The actuarially determined contribution requirements set during the budgeting process may differ from the annual required contribution (ARC) for the current period as a result of changes in plan provisions implemented subsequent to approval of the County budget. During the year, the ERS accrues only those contributions that the County is statutorily required to pay. This consists of those contributions that were included in the County's current year budget and any additional contributions that may have been committed at the discretion of the County Board.

Three year Trend Information for the ERS and OBRA are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
ERS	12/31/05	\$ 37,608	94.2%	\$ -
	12/31/04	33,248	105.7%	(2,000)
	12/31/03	25,242	134.6%	-

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
OBRA	12/31/05	\$ 386	94.5%	\$ -
	12/31/04	338	103.1%	-
	12/31/03	280	100.0%	-

County contributions totaling \$ 35,415 and \$ 35,143 were recorded in 2005 and 2004 respectively. The 2005 contribution was less than and 2004 contribution was greater than the total actuarial required contribution using the Entry Age Normal method of funding with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 18.0% and 16.8% of annual covered payroll for 2005 and 2004, respectively.

OBRA's funding policy provides for an annual County contribution at an actuarially determined rate. Liabilities and contributions are computed using the Unit Credit method of funding. OBRA also used the Unit Credit method to amortize the unfunded liability over a 30-year period. The actuarial accrued liability of OBRA at December 31, 2005 and 2004 was \$3,530 and \$ 2,872

Note 15-Employee Retirement Systems and Pension Plans (Continued)

Contributions Required and Contributions Made (Continued)

respectively, leaving net assets available less than the actuarial accrued liability of (\$ 2,440) and (\$ 1,928) respectively. The County made contributions to the OBRA system totaling \$ 365 in 2005.

Note 16-New Accounting Pronouncements

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement establishes uniform financial reporting standards for other post employment benefits (OPEB) plans and is effective for fiscal periods beginning after December 15, 2005. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. The County is currently studying the impact to the financial statements that GASB Statement No. 43 will impose. The County will implement Statement No. 43 beginning with the year ended December 31, 2006.

In May 2004, GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1." This statement amends the portions of NCGA (National Council on Governmental Accounting) Statement 1, Governmental Accounting and Financial Reporting Principles, which guide the preparation of the statistical section and is effective for fiscal periods beginning after June 15, 2005. This amendment adds new information that financial statement users have identified as important and eliminates certain previous requirements. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, to assess the economic condition of a government. The County will implement Statement No. 44 beginning with the fiscal year ended December 31, 2006.

In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially

Note 16-New Accounting Pronouncements (Continued)

determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County is currently studying the impact to the financial statements that implementing GASB Statement No. 45 will impose. The County will implement Statement No. 45 beginning with the fiscal year ended December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions

Employee's Retirement System

Retirement System

Substantially all full-time employees of the County are participants in the Employees' Retirement System of the County of Milwaukee (Retirement System), which is a single-employer defined benefit pension plan that is non-contributory.

OBRA

The County established the OBRA 1990 Retirement System of the County of Milwaukee to cover seasonal and certain temporary employees who are not enrolled in the Retirement System.

County Of Milwaukee
Required Supplementary Information
Schedules of Funding Progress
(In Thousands of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability- AAL (b)	Funded Ratio (a/b)	(Overfunded) Unfunded AAL- UAAL (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Retirement System</u>						
1/1/06	\$ 1,454,302	\$ 1,909,321	76.17%	\$ 455,019	\$ 225,722	201.58%
1/1/05	1,424,918	1,782,884	79.90%	357,966	209,796	170.60%
1/1/04	1,446,726	1,707,999	84.70%	261,273	233,478	111.90%
1/1/03	1,446,860	1,542,045	93.80%	95,185	234,679	40.60%
1/1/02	1,620,157	1,492,072	108.60%	(128,085)*	238,387	(53.7%)**
1/1/01	1,670,601	1,499,261	111.40%	(171,340)*	238,195	(71.9%)**
<u>OBRA</u>						
1/1/06	\$ 1,090	\$ 3,530	30.88%	\$ 2,440	\$ 8,353	29.2%
1/1/05	944	2,872	32.90%	1,928	8,406	22.9%
1/1/04	790	2,535	31.15%	1,745	8,397	20.8%
1/1/03	674	2,049	32.90%	1,376	8,596	16.0%
1/1/02	662	1,890	35.00%	1,228	8,713	14.1%
1/1/01	613	1,846	33.20%	1,233	8,783	14.0%

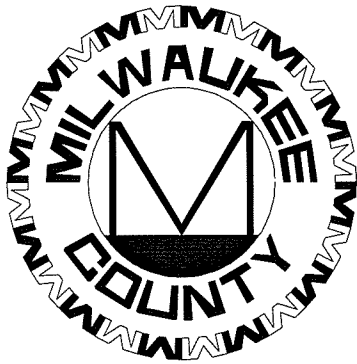
* These amounts represent actuarial value of assets in excess of actuarial accrued liabilities.

** These percentages represent the amount of overfunded actuarial assets as a percentage of payroll.

Note: Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

County Of Milwaukee
Required Supplementary Information
Schedules of Employer Contributions
For the Year Ended December 31

	<u>Fiscal Year</u>	<u>Annual Pension Costs</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
<u>Retirement System</u>						
	2005	\$ 37,608	\$ 37,438	\$ 35,415	94.60%	\$ -
	2004	33,248	33,248	35,249	106.02%	(2,000)
	2003	25,242	23,131	33,981	146.91%	-
	2002	8,528	7,536	2,580	34.23%	10,914
	2001	8,586	8,586	268	30.80%	5,938
	2000	-	-	-	-	-
<u>OBRA</u>						
	2005	\$ 386	\$ 386	\$ 365	94.50%	\$ -
	2004	338	338	348	103.10%	-
	2003	280	280	280	100.00%	-
	2002	275	275	275	100.00%	-
	2001	250	250	250	100.00%	-



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OTHER SUPPLEMENTARY INFORMATION

**Combining and Individual Fund
Financial Statements and Schedules**



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BUDGETARY COMPARISON

07/14/06

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 280,033	\$ 288,381	\$ 275,467	\$ (12,914)
Property Taxes	227,334	227,334	228,628	1,294
Charges for Services	206,998	216,361	213,361	(3,000)
Sales Taxes	62,431	62,431	61,646	(785)
Investment Income and Rents	9,690	9,690	7,657	(2,033)
Fines and Forfeits	3,189	2,769	2,823	54
Licenses and Permits	500	500	442	(58)
Other	29,193	29,431	30,205	774
Total Revenues	<u>819,368</u>	<u>836,897</u>	<u>820,229</u>	<u>(16,668)</u>
Expenditures:				
Current:				
County Board	4,945	5,103	4,828	275
Department of Audit	2,305	2,317	2,230	87
Veterans Service	282	553	519	34
Disadvantaged Business Development	581	689	546	143
Procurement	893	808	696	112
Office of Handicapped	621	675	643	32
County Executive	935	997	962	35
Civil Service Commission	63	55	55	-
Personnel Review Board	163	176	173	3
Corporation Counsel	1,815	1,892	1,616	276
Department of Human Resources	4,445	4,428	4,374	54
Department of Administrative Services	3,313	3,350	3,300	50
Housing	18,014	21,175	20,948	227
Legislative, Executive and Staff	<u>38,375</u>	<u>42,218</u>	<u>40,890</u>	<u>1,328</u>
County-funded State Court Services	39,491	41,234	40,230	1,004
Child Support Enforcement	18,030	18,651	17,810	841
Courts and Judiciary	<u>57,521</u>	<u>59,885</u>	<u>58,040</u>	<u>1,845</u>
Election Commission	567	547	516	31
County Treasurer	1,088	1,304	1,336	(32)
County Clerk	573	606	606	-
Register of Deeds	4,198	6,512	6,279	233
General Governmental Services	<u>6,426</u>	<u>8,969</u>	<u>8,737</u>	<u>232</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Sheriff	\$ 73,524	\$ 74,758	\$ 72,787	\$ 1,971
House of Correction	45,286	44,619	44,462	157
District Attorney	15,459	16,743	15,732	1,011
Public Safety and Non-Departmental Court	3,875	3,876	3,863	13
Public Safety	<u>138,144</u>	<u>139,996</u>	<u>136,844</u>	<u>3,152</u>
Highway Maintenance	16,245	16,011	14,643	1,368
Administration	2,507	2,417	1,928	489
Public Works and Highways	<u>18,752</u>	<u>18,428</u>	<u>16,571</u>	<u>1,857</u>
County Health Related Programs	30,489	31,957	30,282	1,675
Department on Aging	18,381	18,511	18,072	439
Department on Aging -- CMO	144,228	152,742	138,493	14,249
Department of Human Services	178,031	183,546	179,052	4,494
Human Services	<u>371,129</u>	<u>386,756</u>	<u>365,899</u>	<u>20,857</u>
Department of Parks	37,070	37,723	36,588	1,135
Zoological Department	19,792	19,760	19,125	635
UW Extension Service	330	349	322	27
Parks, Recreation and Culture	<u>57,192</u>	<u>57,832</u>	<u>56,035</u>	<u>1,797</u>
Other	15,709	17,382	16,429	953
Total Expenditures	<u>703,248</u>	<u>731,466</u>	<u>699,445</u>	<u>32,021</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>116,120</u>	<u>105,431</u>	<u>120,784</u>	<u>15,353</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2005 Appropriations	(3,534)	(3,534)	(3,534)	-
Transfers In	-	-	23,294	23,294
Transfers Out	(106,370)	(95,681)	(130,348)	(34,667)
Transfers To Component Units	(6,216)	(6,216)	(6,216)	-
Total Other Financing Sources (Uses)	<u>(116,120)</u>	<u>(105,431)</u>	<u>(116,804)</u>	<u>(11,373)</u>
Net Change in Fund Balance	-	-	3,980	3,980
Fund Balances -- Beginning	8,984	8,984	8,984	-
Fund Balances -- Ending	<u>\$ 8,984</u>	<u>\$ 8,984</u>	<u>\$ 12,964</u>	<u>\$ 3,980</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
Debt Service Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Investment Income and Rents	\$ -	\$ -	\$ 484	\$ 484
Other	6,896	7,308	7,300	(8)
Total Revenues	<u>6,896</u>	<u>7,308</u>	<u>7,784</u>	<u>476</u>
Expenditures:				
Current -- Other	-	-	527	(527)
Debt Service:				
Principal Retirement	36,477	36,477	24,657	11,820
Interest	14,395	15,471	16,232	(761)
Total Expenditures	<u>50,872</u>	<u>51,948</u>	<u>41,416</u>	<u>10,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,976)</u>	<u>(44,640)</u>	<u>(33,632)</u>	<u>11,008</u>
Other Financing Sources (Uses):				
Net Refunding Bonds Issued and Used	-	-	427	(427)
Transfers In	36,231	36,895	32,835	(4,060)
Transfers Out	-	-	(4,781)	(4,781)
Total Other Financing Sources (Uses)	<u>36,231</u>	<u>36,895</u>	<u>28,481</u>	<u>(9,268)</u>
Net Change in Fund Balance	(7,745)	(7,745)	(5,151)	1,740
Fund Balances - Beginning	8,130	8,130	8,130	-
Fund Balances - Ending	<u>\$ 385</u>	<u>\$ 385</u>	<u>\$ 2,979</u>	<u>\$ 1,740</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
Capital Projects Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 14,803	\$ 21,972	\$ 23,712	\$ 1,740
Sales Tax	1,022	1,022	1,027	5
Investment Income and Rents	28	899	52	(847)
Other	5,456	2,187	-	(2,187)
Total Revenues	<u>21,309</u>	<u>26,080</u>	<u>24,791</u>	<u>(1,289)</u>
Expenditures:				
Other	-	-	1,581	(1,581)
Capital Outlay	<u>53,418</u>	<u>98,176</u>	<u>81,764</u>	<u>16,412</u>
Total Expenditures	<u>53,418</u>	<u>98,176</u>	<u>83,345</u>	<u>14,831</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,109)</u>	<u>(72,096)</u>	<u>(58,554)</u>	<u>13,542</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	32,109	35,487	24,610	(10,877)
Premium on Debt Issued	-	-	518	518
Transfers In	-	36,609	-	(36,609)
Transfers Out	-	-	(4,003)	(4,003)
Total Other Financing Sources (Uses)	<u>32,109</u>	<u>72,096</u>	<u>21,125</u>	<u>(50,971)</u>
Net Change in Fund Balance	-	-	(37,429)	(37,429)
Fund Balances - Beginning	<u>12,302</u>	<u>12,302</u>	<u>12,302</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 12,302</u>	<u>\$ 12,302</u>	<u>\$ (25,127)</u>	<u>\$ (37,429)</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Airports Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 45,999	\$ 46,155	\$ 44,793	\$ (1,362)
Admissions and Concessions	10,193	10,193	10,744	551
Total Charges for Services	56,192	56,348	55,537	(811)
Other Revenues	51	51	62	11
Total Operating Revenues	56,243	56,399	55,599	(800)
Operating Expenses:				
Personnel Services	14,399	14,642	14,082	560
Contractual Services	12,715	14,377	14,659	(282)
Intra-County Services	9,284	9,284	9,207	77
Commodities	1,831	1,950	1,892	58
Depreciation and Amortization	13,251	13,251	13,751	(500)
Maintenance	735	1,363	898	465
Other	361	648	1,317	(669)
Total Operating Expenses	52,576	55,515	55,806	(291)
Operating Income (Loss)	3,667	884	(207)	(1,091)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	107	307	312	5
Investment Income	896	896	1,001	105
Interest Expense	(6,639)	(6,639)	(6,088)	551
Total Nonoperating Revenues (Expenses)	(5,636)	(5,436)	(4,775)	661
Income (Loss) Before Transfers	(1,969)	(4,552)	(4,982)	(430)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	3,033	3,033	7,371	4,338
Transfers In	-	1,519	39	(1,480)
Transfers Out	(1,064)	-	(1,301)	(1,301)
Change in Net Assets	\$ -	\$ -	\$ 1,127	\$ 1,127

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Behavioral Health Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Charges for Services:				
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ 44,288	\$ 44,588	\$ 47,777	\$ 3,189
Net Patient Service Revenues	44,288	44,588	47,777	3,189
Rentals and Other Service Fees	46	46	39	(7)
Admissions and Concessions	12	12	8	(4)
Total Charges for Services	44,346	44,646	47,824	3,178
Other Revenues	13,076	13,326	12,046	(1,280)
Total Operating Revenues	57,422	57,972	59,870	1,898
Operating Expenses:				
Personnel Services	66,859	68,722	69,121	(399)
Contractual Services	8,500	9,066	9,167	(101)
Intra-County Services	5,289	5,302	3,792	1,510
Commodities	6,782	6,946	7,438	(492)
Depreciation and Amortization	815	815	730	85
Maintenance	73	145	212	(67)
Other	65,041	65,165	67,055	(1,890)
Total Operating Expenses	153,359	156,161	157,515	(1,354)
Operating Income (Loss)	(95,937)	(98,189)	(97,645)	544
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	60,709	61,801	61,136	(665)
Interest Expense	(356)	(224)	(208)	16
Total Nonoperating Revenues (Expenses)	60,353	61,577	60,928	(649)
Income (Loss) Before Transfers	(35,584)	(36,612)	(36,717)	(105)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces				
Contributed Capital From Capital Grants	-	-	(826)	(826)
Transfers In	35,584	36,612	36,226	(386)
Transfers Out	-	-	(619)	(619)
Change in Net Assets	\$ -	\$ -	\$ (1,936)	\$ (1,936)

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Transit Enterprise Fund
For the Year Ended December 31, 2005
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Rentals and Other Service Fees	\$ 125	\$ 125	\$ 119	\$ (6)
Transit Fares	42,979	42,979	42,854	(125)
Total Charges for Services	43,104	43,104	42,973	(131)
Other Revenues	2,733	2,897	4,815	1,918
Total Operating Revenues	45,837	46,001	47,788	1,787
Operating Expenses:				
Personnel Services	104,573	104,573	105,718	(1,145)
Contractual Services	25,094	25,125	23,055	2,070
Intra-County Services	742	742	793	(51)
Commodities	9,459	9,459	12,131	(2,672)
Depreciation and Amortization	13,000	13,000	13,083	(83)
Maintenance	839	853	1,127	(274)
Other	832	997	807	190
Total Operating Expenses	154,539	154,749	156,714	(1,965)
Operating Income (Loss)	(108,702)	(108,748)	(108,926)	(178)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	78,834	78,963	79,133	170
Interest Expense	(1,484)	(1,095)	(1,025)	70
Total Nonoperating Revenues (Expenses)	77,350	77,868	78,108	240
Income (Loss) Before Transfers	(31,352)	(30,880)	(30,818)	62
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces Contributed Capital From Capital Grants	10,000	10,000	582	(9,418)
Transfers In	21,352	20,880	23,619	2,739
Transfers Out	-	-	(5,155)	(5,155)
Change in Net Assets	\$ -	\$ -	\$ (11,772)	\$ (11,772)

COMBINING STATEMENTS

Other Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for endowments, bequests and restricted donations, where the principal may be expended in the course of their designated operations. The specific purpose of each Special Revenue Fund is as follows:

Zoo - Purchase of animals and maintenance of the miniature passenger railroad.

Parks - Enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

Persons with Disabilities - Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division - Mental health research, patient activities and special events.

Airport PFC (Passenger Facility Charge) - Federal Aviation Administration (FAA) approved capital projects at the Airport.

Health and Safety— established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds the cost associated with new employee screenings.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	
ASSETS							
Cash and Investments	\$ 546	\$ 415	\$ 122	\$ 478	\$ -	\$ 46	\$ 1,607
Cash and Investments -- Restricted	-	-	-	-	34,155	-	34,155
Receivables -- Other	-	243	-	-	-	-	243
Prepaid Items	31	-	-	-	-	-	31
Total Assets	<u>\$ 577</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,036</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35
Other Liabilities	1	-	-	-	-	-	1
Total Liabilities	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>
Fund Balances:							
Reserved	541	658	122	478	34,155	46	36,000
Total Fund Balances	<u>541</u>	<u>658</u>	<u>122</u>	<u>478</u>	<u>34,155</u>	<u>46</u>	<u>36,000</u>
Total Liabilities and Fund Balances	<u>\$ 577</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,036</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport	Health and Safety	
Revenues:							
Investment Income and Rents	\$ 32	\$ -	\$ 2	\$ -	\$ 514	\$ -	\$ 548
Charges for Services	674	53	-	-	-	-	727
PFC Revenues	-	-	-	-	9,917	-	9,917
Other	81	257	20	2	-	23	383
Total Revenues	<u>787</u>	<u>310</u>	<u>22</u>	<u>2</u>	<u>10,431</u>	<u>23</u>	<u>11,575</u>
Expenditures:							
Current:							
Human Services	-	-	1	14	-	-	15
Parks, Recreation and Culture	805	153	-	-	-	-	958
Other	-	-	-	-	648	-	648
Total Expenditures	<u>805</u>	<u>153</u>	<u>1</u>	<u>14</u>	<u>648</u>	<u>-</u>	<u>1,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18)</u>	<u>157</u>	<u>21</u>	<u>(12)</u>	<u>9,783</u>	<u>23</u>	<u>9,954</u>
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	2,843	-	2,843
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,843</u>	<u>-</u>	<u>2,843</u>
Net Changes in Fund Balance	<u>(18)</u>	<u>157</u>	<u>21</u>	<u>(12)</u>	<u>12,626</u>	<u>23</u>	<u>12,797</u>
Fund Balances -- Beginning	559	501	101	490	21,529	23	23,203
Fund Balances -- Ending	<u>\$ 541</u>	<u>\$ 658</u>	<u>\$ 122</u>	<u>\$ 478</u>	<u>\$ 34,155</u>	<u>\$ 46</u>	<u>\$ 36,000</u>



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COMBINING STATEMENTS

Internal Service Funds

Information Management Services

This fund is used to account for electronic data processing, graphics and telecommunication services provided to County departments.

Public Works Services

This fund is used to account for various services provided to other County departments including:

Professional Services - provides engineering, architectural and administrative services.

Central Services - provides custodial and equipment maintenance services.

Fleet Maintenance - controls, supervises and maintains all automotive equipment owned by the County.

Risk Management

This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Internal Service Funds
December 31, 2005
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<u>Assets</u>				
Current Assets:				
Cash and Investments	\$ 3,214	\$ 5,430	\$ 9,297	\$ 17,941
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	63	429	40	532
Due From Other Governments	-	280	-	280
Inventories	-	677	-	677
Prepaid Items	99	-	-	99
Total Current Assets	<u>3,376</u>	<u>6,816</u>	<u>9,337</u>	<u>19,529</u>
Capital Assets:				
Land	-	1,382	-	1,382
Construction in Progress	7,458	10,680	4	18,142
Land Improvements	-	10,922	-	10,922
Building and Improvements	16	92,324	-	92,340
Furniture, Machinery and Equipment	29,734	38,516	114	68,364
Total Capital Assets	<u>37,208</u>	<u>153,824</u>	<u>118</u>	<u>191,150</u>
Less Accumulated Depreciation	<u>(24,542)</u>	<u>(104,296)</u>	<u>(109)</u>	<u>(128,947)</u>
Net Capital Assets	<u>12,666</u>	<u>49,528</u>	<u>9</u>	<u>62,203</u>
Total Assets	<u>\$ 16,042</u>	<u>\$ 56,344</u>	<u>\$ 9,346</u>	<u>\$ 81,732</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	\$ 532	\$ 863	\$ 1	\$ 1,396
Accrued Liabilities	167	476	9,120	9,763
Deferred Revenues	-	197	63	260
Bonds Payable - Current Portion	1,808	4,675	-	6,483
Compensated Absences	539	1,254	34	1,827
Total Current Liabilities	<u>3,046</u>	<u>7,465</u>	<u>9,218</u>	<u>19,729</u>
Long-Term Liabilities:				
Compensated Absences	1,288	2,917	116	4,321
Bonds Payable -- Long-Term	9,824	26,797	-	36,621
Total Long-Term Liabilities	<u>11,112</u>	<u>29,714</u>	<u>116</u>	<u>40,942</u>
Total Liabilities	<u>14,158</u>	<u>37,179</u>	<u>9,334</u>	<u>60,671</u>
<u>Net Assets</u>				
Unrestricted	850	1,109	3	1,962
Invested in Capital Assets, Net of Related Debt	1,034	18,056	9	19,099
Total Net Assets	<u>1,884</u>	<u>19,165</u>	<u>12</u>	<u>21,061</u>
Total Liabilities and Net Assets	<u>\$ 16,042</u>	<u>\$ 56,344</u>	<u>\$ 9,346</u>	<u>\$ 81,732</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For The Year Ended December 31, 2005
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 11	\$ 33,613	\$ 6,089	\$ 39,713
Other	-	658	70	728
Total Operating Revenues	<u>11</u>	<u>34,271</u>	<u>6,159</u>	<u>40,441</u>
Operating Expenses:				
Personnel Services	9,395	25,195	572	35,162
Contractual Services	4,770	7,702	53	12,525
Intra-County Services	(54)	2,863	(126)	2,683
Commodities	201	4,222	3	4,426
Depreciation and Amortization	2,575	5,661	1	8,237
Maintenance	22	1,002	-	1,024
Insurance and Claims	-	-	5,533	5,533
Other	-	1,249	-	1,249
Total Operating Expenses	<u>16,909</u>	<u>47,894</u>	<u>6,036</u>	<u>70,839</u>
Operating Income (Loss)	<u>(16,898)</u>	<u>(13,623)</u>	<u>123</u>	<u>(30,398)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	139	571	-	710
Loss on Disposal of Capital Assets	(1,063)	(3,063)	-	(4,126)
Interest Expense	(439)	(1,055)	-	(1,494)
Total Nonoperating Revenues (Expenses)	<u>(1,363)</u>	<u>(3,547)</u>	<u>-</u>	<u>(4,910)</u>
Income (Loss) Before Contributions and Transfers	(18,261)	(17,170)	123	(35,308)
Capital Contributions	3,484	(74)	-	3,410
Transfers In	18,260	16,526	-	34,786
Transfers Out	<u>(2,623)</u>	<u>(4,685)</u>	<u>(127)</u>	<u>(7,435)</u>
Change in Net Assets	860	(5,403)	(4)	(4,547)
Net Assets -- Beginning	1,024	24,568	16	25,608
Net Assets -- Ending	<u>\$ 1,884</u>	<u>\$ 19,165</u>	<u>\$ 12</u>	<u>\$ 21,061</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Cash Flows Provided (Used) by Operating Activities:				
Receipts from Customers and Users	\$ (28)	\$ 34,292	\$ 6,117	\$ 40,381
Payments to Suppliers	(5,238)	(14,412)	(5,754)	(25,404)
Payments to Employees	(9,678)	(25,902)	(955)	(36,535)
Payments for Interfund Services Used	54	(2,863)	126	(2,683)
Net Cash Flows Provided (Used) by Operating Activities	<u>(14,890)</u>	<u>(8,885)</u>	<u>(466)</u>	<u>(24,241)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	139	571	-	710
Transfers From Other Funds	18,260	16,526	-	34,786
Transfers (To) Other Funds	<u>(2,623)</u>	<u>(4,685)</u>	<u>(127)</u>	<u>(7,435)</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>15,776</u>	<u>12,412</u>	<u>(127)</u>	<u>28,061</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Principal Payment on Bonds	(1,325)	(4,122)	-	(5,447)
Interest Paid on Bonds	(440)	(1,076)	-	(1,516)
Proceeds from Bonds	958	4,564	-	5,522
Acquisition of Capital Assets	<u>(988)</u>	<u>(4,627)</u>	<u>-</u>	<u>(5,615)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,795)</u>	<u>(5,261)</u>	<u>-</u>	<u>(7,056)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(909)	(1,734)	(593)	(3,236)
Cash and Cash Equivalents at Beginning of Year	4,123	7,164	9,890	21,177
Cash and Cash Equivalents at End of Year	<u>\$ 3,214</u>	<u>\$ 5,430</u>	<u>\$ 9,297</u>	<u>\$ 17,941</u>

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss):	<u>\$ (16,898)</u>	<u>\$ (13,623)</u>	<u>\$ 123</u>	<u>\$ (30,398)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,575	5,661	1	8,237
(Increase) Decrease in Assets:				
Accounts Receivable	(22)	51	(40)	(11)
Due From Other Governments	-	(58)	-	(58)
Inventories	-	195	-	195
Prepaid Items	11	-	-	11
Increase (Decrease) in Liabilities:				
Accounts Payable	(245)	(432)	(165)	(842)
Accrued Liabilities	(1,123)	(2,856)	(447)	(4,426)
Deferred Revenues	(28)	28	(2)	(2)
Compensated Absences	840	2,149	64	3,053
Total Adjustments	<u>2,008</u>	<u>4,738</u>	<u>(589)</u>	<u>6,157</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (14,890)</u>	<u>\$ (8,885)</u>	<u>\$ (466)</u>	<u>\$ (24,241)</u>

COMBINING STATEMENTS

Fiduciary Funds

Agency Funds

Agency funds are custodial in nature and are used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units. Significant Agency Funds consist of Civil Court-ordered family support payments.

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2005
(In Thousands)

	January 1, 2005	Additions	Deductions	December 31, 2005
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Cash and Investments	\$ 27,276	\$ 92,342	\$ 105,456	\$ 14,162
Total Assets	<u>\$ 27,276</u>	<u>\$ 92,342</u>	<u>\$ 105,456</u>	<u>\$ 14,162</u>
Agency Deposits	\$ 27,276	\$ 69,192	\$ 82,306	\$ 14,162
Total Liabilities	<u>\$ 27,276</u>	<u>\$ 69,192</u>	<u>\$ 82,306</u>	<u>\$ 14,162</u>
<u>CARE MANAGEMENT ORGANIZATIONS WORKING CAPITAL RESERVE</u>				
Cash and Investments	\$ 2,708	\$ 66	\$ 2,761	\$ 13
Total Assets	<u>\$ 2,708</u>	<u>\$ 66</u>	<u>\$ 2,761</u>	<u>\$ 13</u>
Agency Deposits	\$ 2,708	\$ 66	\$ 2,761	\$ 13
Total Liabilities	<u>\$ 2,708</u>	<u>\$ 66</u>	<u>\$ 2,761</u>	<u>\$ 13</u>
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 9,286	\$ 457,067	\$ 457,004	\$ 9,349
Other Receivables	-	32,869	32,869	-
Total Assets	<u>\$ 9,286</u>	<u>\$ 489,936</u>	<u>\$ 489,873</u>	<u>\$ 9,349</u>
Accounts Payable	\$ 176	\$ 25,926	\$ 24,958	\$ 1,144
Agency Deposits	9,110	47,316	48,221	8,205
Total Liabilities	<u>\$ 9,286</u>	<u>\$ 73,242</u>	<u>\$ 73,179</u>	<u>\$ 9,349</u>
<u>SUMMARY</u>				
Cash and Investments	\$ 39,270	\$ 549,475	\$ 565,221	\$ 23,524
Other Receivables	-	32,869	32,869	-
Total Assets	<u>\$ 39,270</u>	<u>\$ 582,344</u>	<u>\$ 598,090</u>	<u>\$ 23,524</u>
Accounts Payable	\$ 176	\$ 25,926	\$ 24,958	\$ 1,144
Agency Deposits	39,094	116,574	133,288	22,380
Total Liabilities	<u>\$ 39,270</u>	<u>\$ 142,500</u>	<u>\$ 158,246</u>	<u>\$ 23,524</u>

STATISTICAL SECTION (UNAUDITED)

COUNTY OF MILWAUKEE
GOVERNMENT-WIDE EXPENSES BY FUNCTION*
(In Thousands)

<u>Year</u>	<u>Legislative and General Governmental Services</u>	<u>Courts and Judiciary</u>	<u>Public Safety</u>	<u>Public Works and Highways</u>	<u>Human Services</u>	<u>Parks Recreation and Culture</u>	<u>Interest and Other</u>	<u>Airport</u>	<u>Behavioral Health</u>	<u>Transit</u>	<u>Total</u>
2002	\$ 68,662	\$ 49,860	\$ 115,415	\$ 79,991	\$ 281,934	\$ 72,174	\$ 37,832	\$ 42,333	\$ 134,958	\$ 144,946	\$ 1,028,105
2003	64,995	52,427	128,134	77,079	320,705	70,609	36,091	51,949	137,908	148,710	1,088,607
2004	74,134	54,715	136,896	82,543	345,251	69,861	26,588	54,720	147,055	154,003	1,145,766
2005	78,698	56,517	138,885	88,133	363,558	69,150	36,719	58,894	157,233	157,623	1,205,410

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior year's accounting data.

COUNTY OF MILWAUKEE
GOVERNMENT-WIDE REVENUES*
(In Thousands)

<u>Year</u>	<u>PROGRAM REVENUES</u>				<u>GENERAL REVENUES</u>					<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Investment Income</u>	<u>Intergovernmental Revenue Non-Specific</u>	<u>Gain on Sale of Capital Assets</u>	<u>Other</u>	
2002	\$ 283,515	\$ 340,068	\$ 25,453	\$ 220,702	\$ 58,122	\$ 16,656	\$ 65,305	\$ 735	\$ 31,901	\$ 1,042,457
2003	325,367	342,252	19,345	221,265	59,788	11,079	74,590	156	42,609	1,096,451
2004	367,919	384,952	39,702	220,612	60,498	5,238	40,472	757	26,654	1,146,804
2005	407,106	411,366	10,537	228,628	62,673	5,840	40,242	124	33,730	1,200,246

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior years accounting data.

**COUNTY OF MILWAUKEE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ****

LAST TEN FISCAL YEARS
(In Thousands)

<u>Year</u>	<u>Legislative and General Governmental Services</u>	<u>Courts and Judiciary</u>	<u>Public Safety</u>	<u>Public Works and Highways</u>	<u>Human Services</u>	<u>Parks Recreation and Culture</u>	<u>Interest and Other</u>	<u>Total</u>
1996	\$ 36,529	\$ 40,478	\$ 81,732	\$ 18,240	\$ 294,614	\$ 39,821	\$ 3,477	\$ 514,891
1997	26,166	28,761	68,819	19,384	297,464	47,769	51,444	539,807
1998	26,982	30,934	77,424	23,293	330,208	47,919	44,413	581,173
1999	30,033	32,851	87,136	24,371	308,095	49,791	42,621	574,898
2000	33,095	35,360	97,851	10,441	279,878	52,251	48,299	557,175
2001	36,844	39,753	100,006	10,370	261,461	53,095	52,278	553,807
2002	* 46,124 *	* 50,889 *	* 122,089 *	* 13,008 *	* 283,815 *	* 66,921 *	* 8,372 *	* 591,218
2003	* 46,032 *	* 52,862 *	* 126,758 *	* 13,489 *	* 322,013 *	* 65,749 *	* 6,759 *	* 633,662
2004	* 44,854 *	* 55,748 *	* 135,596 *	* 16,553 *	* 345,157 *	* 61,640 *	* 17,613 *	* 677,161
2005	* 46,977 *	* 57,456 *	* 136,398 *	* 16,532 *	* 362,755 *	* 62,026 *	* 15,981 *	* 698,125

* Expenditures include fringe benefit allocation

** Includes the General Fund, only.

**COUNTY OF MILWAUKEE
GENERAL GOVERNMENTAL REVENUES BY SOURCE ***

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>Property Taxes</u>	<u>Sales Tax**</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeits</u>	<u>Interest on Investments and Rents</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
1996	\$ 168,950	\$ 46,307	\$ 389	\$ 3,233	\$ 9,511	\$ 322,399	\$ 40,800	\$ 16,383	\$ 607,972
1997	179,754	53,546	462	3,902	11,783	343,770	62,438	9,876	665,531
1998	189,999	52,043	459	4,139	12,727	378,603	56,659	10,080	704,709
1999	195,751	55,675	471	4,007	9,317	372,417	58,196	14,618	710,452
2000	198,485	55,772	464	3,692	20,111	318,575	59,758	32,726	689,583
2001	209,178	57,941	440	3,660	18,933	274,646	88,602	39,144	692,544
2002	220,430	55,450	399	3,276	14,390	251,202	132,324	24,756	702,227
2003	221,265	57,115	413	2,909	9,789	266,101	157,025	26,309	740,926
2004	220,612	58,834	443	3,129	6,974	276,179	180,925	26,133	773,229
2005	228,628	61,646	442	2,823	7,657	275,467	213,361	30,205	820,229

* Includes the General Fund, only.

** A Sales Tax for Milwaukee County was implemented April 1, 1991.

**COUNTY OF MILWAUKEE
PROPERTY TAX LEVIES**

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>General County Purposes*</u>	<u>State Forestry Tax</u>	<u>Other</u>	<u>Total</u>
1996	\$ 167,859	\$ 6,290	\$ 653	\$ 174,802
1997	179,307	6,456	681	186,444
1998	188,946	6,688	690	196,324
1999	194,206	6,984	713	201,903
2000	206,729	7,646	765	215,140
2001	218,735	8,355	861	227,951
2002	219,494	8,856	875	229,225
2003	219,437	9,453	868	229,758
2004	225,884	10,231	893	237,008
2005	232,593	10,632	875	244,100

* Does not include Southeastern Wisconsin Regional Planning Commission (SEWRPC) taxes collected by the County.

**COUNTY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS**

LAST TEN FISCAL YEARS
(In Thousands)

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Total Tax Collections to Total Tax Levy</u>	<u>Percent of Delinquent Taxes to Total Tax Levy</u>
1996	\$ 168,950	\$ 166,632	98.6%	\$ 4,968	\$ 171,600	\$ 6,585	101.6%	3.9%
1997	179,971	178,268	99.1%	4,246	182,514	7,107	101.4%	3.9%
1998	189,627	188,130	99.2%	4,852	192,982	7,280	101.8%	3.8%
1999	194,912	193,200	99.1%	5,313	198,513	8,183	101.8%	4.2%
2000	196,723	195,158	99.2%	6,375	201,533	8,471	102.4%	4.3%
2001	207,469	205,443	99.0%	8,138	213,581	7,683	102.9%	3.7%
2002	219,596	217,329	99.0%	7,394	224,723	8,615	102.3%	3.9%
2003	220,334	198,431	90.1%	7,658	206,089	8,148	93.5%	3.7%
2004	226,721	221,804	97.8%	7,778	229,582	8,316	101.3%	3.7%
2005	233,430	229,469	98.3%	7,888	237,357	7,966	101.7%	3.4%

**COUNTY OF MILWAUKEE
EQUALIZED VALUE OF TAXABLE PROPERTY***

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1996	\$ 30,368,359	\$ 1,909,456	\$ 32,277,815
1997	31,450,790	1,991,328	33,442,118
1998	32,784,096	2,138,022	34,922,118
1999	34,866,296	1,538,755 **	36,405,051
2000	36,544,713	1,685,616	38,230,329
2001	39,961,380	1,812,732	41,774,112
2002	42,586,834	1,692,790	44,279,624
2003	45,617,895	1,648,770	47,266,665
2004	49,624,948	1,528,412	51,153,360
2005	55,054,796	1,625,890	56,680,686

* Due to varying assessment policies in the municipalities of the County, the County uses equalized value of taxable property for tax levy purposes.

** Decline in 1999 is from computer equipment no longer being taxed as personal property.

**COUNTY OF MILWAUKEE
PROPERTY TAX RATES PER \$1,000 EQUALIZED VALUE***

LAST TEN FISCAL YEARS

<u>Year</u>	<u>General County Purposes</u>	<u>State Forestry and SEWRPC Tax</u>	<u>Total</u>
1996	\$ 5.39	\$ 0.22	\$ 5.61
1997	5.62	0.22	5.84
1998	5.71	0.22	5.93
1999	5.64	0.22	5.86
2000	5.47	0.22	5.69
2001	5.52	0.22	5.74
2002	5.36	0.22	5.58
2003	5.07	0.22	5.29
2004	4.76	0.22	4.98
2005	4.54	0.22	4.76

* The above property tax rates represent the average rate applicable to the County as a whole. The County tax rate applicable to any single municipality within the County is based on that municipality's assessed valuation.

**COUNTY OF MILWAUKEE
PRINCIPAL TAXPAYERS**

DECEMBER 31, 2005
(In Thousands)

<u>Company</u>	<u>Type of Business</u>	<u>Full Market Value</u>	<u>Percent of County Equalized Value</u>
Mayfair Property Inc.	Shopping mall	\$ 280,998	0.51%
Northwestern Mutual Life Insurance Co.	Insurance	254,666	0.46%
US Bank Corp	Banking	239,448	0.44%
Covenant Health Care	Real Estate	146,277	0.27%
BRE Southridge Mall LLC	Real estate development	144,954	0.26%
Metropolitan Associates	Real estate development	127,737	0.23%
M & I Marshall & Ilsley Bank	Banking	122,828	0.22%
Towne Realty	Real estate development	122,236	0.22%
Marcus Corp/Milw City Ctr/Pfister	Hotels, theaters, convention center	114,424	0.21%
NNN 411 East Wisconsin LLC	Real estate development	94,807	0.17%
Great Lakes Reit LLP	Real estate development	66,866	0.12%
100 E. Wisconsin Avenue Joint Venture	Real estate development	60,595	0.11%
Banc One Wisconsin Corporation	Banking	60,313	0.11%
Geneva Exchange Fund	Real estate development	59,874	0.11%
Columbia St. Mary's	Health Care	54,121	0.10%
Inland Western Midtown	Real Estate	53,738	0.10%
Liberty Property Limited	Real estate development	50,417	0.09%
Centerpoint Properties	Real estate development	50,321	0.09%
Flanders Westborough	Real estate development	49,022	0.09%
Anthony A. Palermo	Real estate development	48,440	0.09%
American Stores Prop Inc/Albertson	Retail food stores	47,429	0.09%
Miller Brewing Company	Mfg, beer and aluminum containers	47,049	0.09%
Occidental	Real estate development	46,888	0.09%
Dayton-Hudson (Marshall Field's Target)	Retail department stores	46,425	0.08%
Robert Franseway, Springbrook Circle	Real estate development	41,177	0.08%
Time Warner	Cable company	39,556	0.07%
Journal-Sentinel Inc	Publishing, printing and broadcasting	39,356	0.07%
H-D Capital Drive LLC	Mfg, Motorcycles	33,965	0.06%
Johnson Controls Inc	Mfg, automotive batteries and seating, buildi	33,832	0.06%
Briggs & Stratton Corp	Mfg, small engines, automotive locks and ke	23,909	0.04%
Rockwell Automation Inc	Mfg, electrical/electronic products	19,166	0.03%
Quad/Graphics Inc	Printing	17,413	0.03%
Harley-Davidson Motor Co	Mfg, Motorcycles	16,081	0.03%
Patrick Cudahy Inc	Mfg, processed meats	15,793	0.03%
Hometown Inc	Mfg, Ice	14,925	0.03%
Delphi Automotive Sys	Mfg, automoive electronics	14,773	0.03%
Hondo Incorporated	Mfg, beverage containers and bottling of bev	14,029	0.03%
All Galss Aquarium Co	Mfg, aquariums	13,020	0.02%
P P G Industries Inc	Mfg, coatings and resins	12,837	0.02%
Centerpoint Properties	Real estate development	11,060	0.02%
Vulcan Technologies	Mfg, Corrugated cartons and containers	10,564	0.02%
Geneva Lakes Cold	Warehouse/ distributor of cold storage	10,266	0.02%
Falk Corp/ Sub Sunstrand	Mfg, power transmissions	9,767	0.02%
Tower Automotive	Mfg, automobile and truck frames	9,429	0.02%
H - D Franklin LLC	Mfg, Motorcycles	9,422	0.02%
Total		\$ 2,800,213	5.10%

**COUNTY OF MILWAUKEE
COMPUTATION OF LEGAL DEBT MARGIN**

DECEMBER 31, 2005
(In Thousands)

2005 Equalized Valuation as Determined by the Supervisor of Assessments of the Wisconsin Department of Revenue	\$56,680,686
Debt Limit Rate	<u>5%</u>
Debt Limit	2,834,034
Bonds and Notes Outstanding:	
Milwaukee County General Obligation Bonds and Notes	<u>(482,008) *</u>
Legal Debt Margin	<u>\$ 2,352,026</u>

* Note: General Obligation Bonds, as reported in Note 8 of Notes to the Financial Statements, includes the 1993, 1995 - 2003 Bonds and Bond Unamortized Refinancing losses of \$ 8,549

COUNTY OF MILWAUKEE
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO EQUALIZED VALUATION
AND GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population*</u>	<u>Equalized Value*</u>	<u>Bonded Debt*</u>	<u>Percent of Debt to Equalized Value</u>	<u>Bonded Debt Per Capita</u>
1996	964	\$ 32,277,815	\$ 479,856	1.49%	\$ 498
1997	958	33,442,118	483,946	1.45%	505
1998	957	34,922,118	489,928	1.40%	512
1999	957	36,405,051	497,028	1.37%	519
2000	955	38,230,329	495,766	1.30%	519
2001	940	41,774,112	490,578	1.17%	522
2002	941	44,279,624	489,152	1.10%	520
2003	941	47,266,665	468,897	0.99%	498
2004	939	51,153,360	488,901	0.96%	521
2005	939	56,680,686	482,008	0.85%	513

* Amounts expressed in thousands.

The population is based on Wisconsin Department of Administration estimates except for 2000 which is based on the United States census.

**COUNTY OF MILWAUKEE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL EXPENDITURES**

**LAST TEN FISCAL YEARS
(In Thousands)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to General Expenditures</u>
1996	\$ 32,158	\$ 18,873	\$ 51,031	\$ 514,239	9.9%
1997	33,801	19,041	52,842	537,792	9.8%
1998	34,561	19,557	54,118	580,573	9.3%
1999	32,431	18,722	51,153	574,299	8.9%
2000	34,374	18,833	53,207	556,542	9.6%
2001	36,150	19,199	55,349	551,858	10.0%
2002	26,733	16,570	43,303	591,218	7.3%
2003	35,826	18,267	54,093	633,662	8.5%
2004	20,132	16,035	36,167	677,161	5.3%
2005	24,657	16,232	40,889	698,125	5.9%

COUNTY OF MILWAUKEE
DIRECT AND OVERLAPPING BONDED DEBT - GENERAL OBLIGATION BONDS
DECEMBER 31, 2005
(In Thousands)

	<u>Direct</u>	<u>Net Debt Outstanding</u>	<u>Percent Applicable to County</u>	<u>Amount Applicable to County</u>
County of Milwaukee		\$482,008	100.0%	\$482,008
<u>Overlapping</u>				
<u>Villages</u>				
Bayside		10,255	96.1%	9,860
Brown Deer		8,878	100.0%	8,878
Fox Point		8,825	100.0%	8,825
Greendale		5,651	100.0%	5,651
Hales Corners		4,387	100.0%	4,387
River Hills		1,685	100.0%	1,685
Shorewood		15,186	100.0%	15,186
West Milwaukee		8,070	100.0%	8,070
Whitefish Bay		12,810	100.0%	12,810
<u>Cities</u>				
Cudahy		29,915	100.0%	29,915
Franklin		32,900	100.0%	32,900
Glendale		37,545	100.0%	37,545
Greenfield		6,391	100.0%	6,391
Milwaukee		583,820	100.0%	583,799
Oak Creek		14,920	100.0%	14,920
St. Francis		445	100.0%	445
South Milwaukee		28,485	100.0%	28,485
Wauwatosa		32,180	100.0%	32,180
West Allis		74,791	100.0%	74,791
<u>School Districts</u>				
Brown Deer		4,980	100.0%	4,980
Cudahy		-	100.0%	-
Foxpoint/Bayside		6,030	98.6%	5,943
Franklin		22,100	100.0%	22,100
Glendale-River Hills		-	100.0%	-
Greendale		-	100.0%	-
Greenfield		15,520	100.0%	15,520
Maple Dale/Indian Hill		-	100.0%	-
Milwaukee		127,084	99.9%	126,987
Milwaukee Area Technical College		75,165	81.9%	61,557
Nicolet High School		-	0.0%	-
Oak Creek/Franklin		34,765	100.0%	34,765
St. Francis		-	100.0%	-
Shorewood		7,150	100.0%	7,150
South Milwaukee		50,571	100.0%	50,571
Wauwatosa		11,189	100.0%	11,189
West Allis/West Milwaukee		26,563	96.0%	25,505
Whitefish Bay		5,590	100.0%	5,590
Whitnall		8,366	100.0%	8,366
Metropolitan Sewerage District		725,020	99.9%	724,453
Total Overlapping Debt		<u>2,037,232</u>	99.2%	<u>2,021,399</u>
<u>TOTAL</u>		<u>\$ 2,519,240</u>	99.4%	<u>\$ 2,503,407</u>

**COUNTY OF MILWAUKEE
DEMOGRAPHIC STATISTICS**

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population*</u>	<u>Effective Buying Income Per Capita</u>	<u>Effective Buying Income Per Capita In Base \$</u>	<u>Percent High School Graduates</u>	<u>Percent Unemployment**</u>
1996	963,903	\$ 15,321 (a)	\$ 9,904 (b)	N/A	4.1%
1997	958,408	16,815 (a)	10,662 (b)	N/A	4.1%
1998	957,058	17,121 (a)	10,680 (b)	N/A	4.0%
1999	956,688	N/A	N/A	N/A	3.8%
2000	955,026	N/A	N/A	87.8% (c)	4.7%
2001	939,919	N/A	N/A	78.0% (c)	5.6%
2002	941,091	N/A	N/A	72.9% (c)	7.0%
2003	941,301	N/A	N/A	N/A	7.3%
2004	939,358	N/A	N/A	N/A	6.4%
2005	938,995	N/A	N/A	N/A	5.9%

* Department of Administration, State of Wisconsin/U.S. Census.

** State of Wisconsin, Department of Workforce Development, Bureau of Research and Statistics.

(a) Effective Buying Income per Capita, (Total EBI/Population) Sales and Marketing Management, Survey of Buying Power. Beginning in 1988, the Effective Buying Income variable excluded non-cash income items, which were previously included in this statistic. Sales and Marketing Management estimates that this reclassification reduces total national income by approximately 11 percent. No information is available for Milwaukee County. This change should be considered when comparing Effective Buying Income Per Capita from 1988 to 1991 due to the incorporation of the 1990 census data. This benchmarking makes it impossible to make meaningful comparisons between 1991 information and information published for prior years.

(b) Effective Buying Income Per Capita is base year dollars, (Total EBI (adjusted for inflation) /Population). Base year dollars (1980) Fiscal Trends, Milwaukee County.

(c) Per Wisconsin Department of Public Instruction. Information does not include private school graduates.

**COUNTY OF MILWAUKEE
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**

LAST TEN FISCAL YEARS

Year	PROPERTY VALUE (1) *				COMMERCIAL CONSTRUCTION (2)		RESIDENTIAL CONSTRUCTION (2)		Bank Deposits (3) *
	Non- Residential	Residential	Exemptions	Total	No. of Permits	Value*	No. of Units	Value*	
1996	\$ 11,715,089	\$ 20,562,725	\$ 384,323	\$ 31,893,491	203	\$ 110,766	1,414	\$ 165,590	\$ 16,078,879
1997	12,103,833	21,338,285	374,337	33,067,781	292	133,524	1,580	140,352	18,029,348
1998	12,890,071	22,032,047	482,107	34,440,011	223	127,430	1,830	170,090	20,947,260
1999	13,053,491	23,351,560	598,008	37,003,059	359	219,270	1,094	88,326	14,931,834
2000	13,571,130	24,659,199	758,208	37,472,121	537	167,946	2,099	164,015	18,083,514
2001	14,833,850	26,940,262	967,915	40,806,197	NA	NA	NA	NA	26,083,397 (4)
2002	15,338,727	28,940,897	962,958	43,316,666	NA	NA	NA	NA	25,385,979 (4)
2003	16,100,336	31,166,329	1,153,286	46,113,380	NA	NA	NA	NA	28,053,510 (4)
2004	17,139,290	34,014,070	1,367,695	49,785,665	NA	NA	NA	NA	30,917,059 (4)
2005	18,705,977	37,974,709	1,779,212	54,901,474	NA	NA	NA	NA	31,682,644 (4)

* Amount expressed in thousands.

(1) Source: Wisconsin Department of Revenue, Statistical Report of Property Valuations.

(2) Source: State of Wisconsin, Record of Building Permits Issued. In 2001, the State stop collecting the information for the commercial and residential construction

(3) Source: The Business Journal.

(4) Source: State of Wisconsin, Department of Financial Institutions

**COUNTY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
DECEMBER 31, 2005**

Date of Incorporation	1835
Form of Government	County Board - County Executive
Area in Square Miles	242
All Motor Vehicles (Registered)	653,973
Dwelling Units (Occupied)	377,729
Miles of State Freeways and Highways Served	373
<u>Recreation</u>	
Parks/Parkways	150
Acreage	14,938
Golf Courses	14
<u>Education - Number of Schools (Four-County Area)</u>	
Public Elementary	321
Public Junior and Senior High	181
Public K-12 Combination Schools	19
Private Elementary	242
Private Junior and Senior High	27
Private K-12 Combination Schools	48
Colleges and Universities	20
<u>General Mitchell International Airport</u>	
Number of Passengers Served	7,268,000
Number of Carriers - Commercial	12
Number of Runways	5
Acreage	2,386
Daily Departures/Arrivals	480
<u>Public Library</u>	
Cardholders	536,756
Circulation	7,852,924
Volumes	4,702,559
<u>Correction Facilities</u>	
House of Correction Capacity	2,400
Criminal Justice Facility	990
<u>County Employees</u>	
Regular - Full Time	4,993
Seasonal - Part Time	748